

CONFORMED COPY

MDTF GRANT NUMBER TF055353 IND

Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement

(Reconstruction of Aceh Land Administration System Project)

between

REPUBLIC OF INDONESIA

and

**INTERNATIONAL DEVELOPMENT ASSOCIATION
Acting as Partner Agency under the Multi-Donor Trust Fund for Aceh and North
Sumatra**

Dated June 24, 2005

MDTF GRANT NUMBER TF055353 IND

**MULTI-DONOR TRUST FUND FOR ACEH AND NORTH SUMATRA
GRANT AGREEMENT**

AGREEMENT, dated June 24, 2005, between REPUBLIC OF INDONESIA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION acting as Partner Agency under the Multi-Donor Trust Fund for Aceh and North Sumatra (the Association).

WHEREAS (A) pursuant to a joint resolution of the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) (Resolution No. IBRD-2005-0004 and IDA-2005-0002) (hereinafter referred to as the Resolution), a Multi-Donor Trust Fund for Aceh and North Sumatra (MDTFANS) has been established to finance a post-earthquake and tsunami emergency rehabilitation and reconstruction program (the Program) in the Republic of Indonesia, and IDA appointed as trustee thereof (the Trustee); and

(B) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the MDTFANS for funding the Project, and said request has been approved in accordance with the provisions of the Resolution; and

WHEREAS the Trustee has agreed, on the basis, *inter alia*, of the foregoing, to make available to the Recipient a Grant to be administered by the Association upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Adjudication Manual" means the Manual issued in accordance with paragraph 5 of Schedule 4 to this Agreement.

(b) "Aceh" means the Recipient's Province of Aceh.

(c) "BRR" means the Recipient's Aceh and North Sumatra Reconstruction and Rehabilitation Agency, established by Presidential Decree No. 63/2005.

(d) “BPN” means the Recipient’s National Land Agency, and any successor thereto.

(e) “BPN Community-Driven Adjudication Manual” means the Manual issued in accordance with paragraph 5 of Schedule 4 to this Agreement.

(f) “DIPA” means the Recipient’s budget allocation document for the Project.

(g) “Eligible Categories” means Categories (1) through (3) set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(h) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement.

(i) “Financial Management Manual” means the Manual issued in accordance with paragraph 6 of Schedule 4 to this Agreement.

(j) “Financial Monitoring Report” and “FMR” mean each report prepared in accordance with Section 4.02 of this Agreement.

(k) “Kabupaten” means a district in a province of the Recipient.

(l) “Procurement Plan” means the Recipient’s procurement plan, dated June 22, 2005, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation.

(m) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the Grant Account referred to in Part A.6 of Schedule 1 to this Agreement.

(n) “Tsunami Affected People” means the people of Aceh and North Sumatra who have been devastated by the natural disasters covered under the Program.

ARTICLE II

The Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount not exceeding twenty eight million five hundred thousand United States Dollars (\$28,500,000).

Section 2.02. The amount of the Grant may be withdrawn from the Grant Account: (a) to the extent that amounts are available to the Association from the MDTFANS for the purposes of the Project; and (b) in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for carrying out the Project and to be financed out of the proceeds of the Grant.

Section 2.03. The Closing Date shall be December 31, 2008, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project, through BPN, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, and management practices, and sound environmental and social standards acceptable to the Association, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than twelve (12) months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such

later date as may be agreed for this purpose between the Recipient and the Association, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of reports referred to in Part A.6 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one (1) year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and

- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph 8 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effectiveness; Termination

Section 5.01. The following events are specified as conditions to the effectiveness of this Agreement within the meaning of Section 12.01(b) of the General Conditions:

- (a) the Project Implementation Unit has been established and a Project Manager appointed in accordance with paragraph 2 of Schedule 4 to this Agreement;
- (b) the circular referred to in paragraph 4 of Schedule 4 to this Agreement has been issued by the Ministry of Finance and BPN.

Section 5.02. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance
c/o Directorate General of Treasury
Jalan Lapangan Banteng Timur 2-4
P. O. Box 1139
Jakarta 10710
Republic of Indonesia

Cable address:

Telex:

Facsimile:

FINMINISTRY
Jakarta

45799 DJMLN-IA
44319 DEPKEU-IA

(21) 381 2859

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Jakarta, Republic of Indonesia, as of the day and year first above written.

REPUBLIC OF INDONESIA

By: /s/ Andrew Steer

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Partner Agency for the Multi-Donor Trust Fund for
Aceh and North Sumatra

By: /s/ Mulia Nasution

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in United States Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods (excluding vehicles), works, services and Incremental Operating Costs under Part A of the Project	22,000,000	100%
(2) Goods (excluding vehicles), works and services under Part B of the Project	3,800,000	100%
(3) Goods (excluding vehicles), services and Incremental Operating Costs under Part C of the Project	2,700,000	100%
	<hr/>	
TOTAL	<u>28,500,000</u>	

2. For the purposes of this Schedule, the term “Incremental Operating Costs” means the reasonable costs of incremental expenditures incurred by BPN and the PIU in the carrying out of the Project (which expenditures would not have been incurred absent the Project), including communications, rental of office space and vehicles, operation and maintenance of vehicles, and Project-related travel expenses and allowances but in all cases excluding salaries and salary supplements of civil servants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$1,000,000,

may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after June 1, 2005.

4. The Recipient may withdraw amounts of the Grant only to the extent that such amounts are available to the Association from the MDTFANS for the purposes of the Project.

5. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$100,000 equivalent per contract; (b) works costing less than \$200,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; and (e) Incremental Operating Costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

6. The Recipient may request withdrawals from the Grant Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Recipient (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Grant Account, the Recipient shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain in Dollars a special deposit account in Bank Indonesia or in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the Grant Account; or

(c) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01(b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Grant Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Account When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of US\$2,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.
2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.
 - (b) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.
3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Grant minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the Grant Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Grant Account under one or more of the Eligible Categories.
2. Upon receipt of each application for withdrawal of an amount of the Grant, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.6 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Recipient in: (i) recovering and protecting ownership land rights of the Tsunami Affected People in Aceh; and (ii) rebuilding the land administration system in Aceh.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives.

Part A: Reconstruction of Property Rights and Issuance of Land Titles

1. Reconstruction of land records, including initial storage fees, copying and reproduction of recovered land records, development of a computerized land records management system, and reproduction of cadastral maps.

2. (a) Provision of training to facilitators and selected civil society organizations for the carrying out of community-driven adjudication.

(b) Provision of materials including maps and ground markers for community mapping activities.

(c) Carrying out of a public information campaign targeting tsunami affected communities and other communities in Aceh and addressing common concerns with regard to protection of property rights, including advertising in mass media and other means of information dissemination.

3. (a) Carrying out of surveying and mapping, adjudication and registration of rights, and issuance of land titles in accordance with the following priority: (i) areas designated as settlement and housing areas, including areas necessary for the construction of public buildings such as schools, hospitals and government offices; (ii) all other tsunami affected areas; and (iii) land areas adjacent to tsunami affected areas.

(b) Carrying out of additional aerial photography and acquisition of satellite images, as required.

4. Provision of technical assistance to BPN for the carrying out of policy analysis to resolve specific policy and regulatory issues in order to accelerate the reconstruction of the land administration system in Aceh.

Part B: Reconstruction of BPN Institutions in Aceh

1. Reconstruction of about three (3) BPN offices in Aceh, and renovation, structural strengthening and expansion of other BPN offices in Aceh, including provision of furniture and office equipment.
2. Strengthening the capacity of the BPN land offices in Aceh, including provision of relevant training to BPN staff and provision of technical assistance.
3. (a) Automation and computerization of selected BPN offices in Aceh.
(b) Establishment of a computerized back-up system for land records, including safe off-site storage.

Part C: Project Management

1. Strengthening the capacity of the Project Implementation Unit, including provision of furniture and equipment and Incremental Operating Costs.
2. Establishment of a Project monitoring system and a mechanism for handling community complaints during the adjudication process in Aceh.
3. Strengthening the capacity of the Project Implementation Unit through provision of technical assistance.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient.

B. Other Procurement Procedures

1. Limited International Bidding. Goods estimated to cost less than \$300,000 equivalent but not less than \$200,000 equivalent per contract, and which for reasons of urgency justify a departure from full International Competitive Bidding procedures, may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods (excluding vehicles) estimated to cost less than \$200,000 equivalent per contract, and works, may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in Annex A to this Schedule.

3. Shopping. Goods (excluding vehicles) estimated to cost less than \$25,000 equivalent per contract and works estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

4. Force Account. Works which the Association agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$400,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Based on Consultants' Qualifications. Services may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of \$100,000 or more; (b) each contract for works estimated to cost the equivalent of \$200,000 or more, and services (other than consultants' services) estimated to cost the equivalent of \$100,000 or more; and (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. All other contracts shall be subject to Post Review by the Association.

**Annex A
to
SCHEDULE 3**

National Competitive Bidding Procedures

The procedures to be followed for National Competitive Bidding shall be those set forth in Presidential Decree (Keppres) 80/2003 of the Republic of Indonesia with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the “Guidelines for Procurement under IBRD Loans and IDA Credits” (the Guidelines).

REGISTRATION

- (a) Bidding shall not be restricted to pre-registered firms.
- (b) Where registration is required, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons not related to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

PRE-QUALIFICATION

Pre-qualification shall not be required under this project. However, for large or complex works, with Bank’s prior concurrence, pre-qualification may be allowed and should be in accordance with the following:

- (a) Eligible bidders (both national and foreign) shall not be denied pre-qualification; and
- (b) Invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper for a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications.

JOINT VENTURES

A bidder declared as the lowest evaluated responsive bidder shall not be required to form a joint venture or to sub-contract part of the work or part of the supply of goods as a condition of award of the contract.

PREFERENCES

- (a) No preference of any kind shall be given to national bidders.
- (b) Regulations issued by a sectoral ministry, provincial and local regulations which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable to procurement procedures financed under the Grant.

ADVERTISING

- (a) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and to accelerate the process, allowing a minimum of fifteen

(15) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to twenty-four (24) hours prior to the deadline for submission of bids.

(b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.

(c) Bidders domiciled outside the area/district/province of the unit responsible for procurement shall be allowed to participate regardless of the estimated value of the contract.

(d) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity to register.

BID SECURITY

Bid security, at the bidders' option, shall be in the form of a letter of credit or bank guarantee from a reputable bank.

BID OPENING AND EVALUATION

(a) Bids shall be opened in public, immediately after the deadline for submission of bids, and if bids are invited in two (2) envelopes, both envelopes (technical and price) shall be opened at the same time.

(b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder.

(c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(d) No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the Association's prior concurrence.

REJECTION OF BIDS

(a) All bids shall not be rejected and new bids solicited without the Association's prior concurrence.

(b) When the number of responsive bids is less than three (3), re-bidding shall not be carried out without the Association's prior concurrence.

SUPPLEMENTAL LETTER

The supplemental letter should reserve the right to require that in contracts financed by the Association under this Project, a provision will be included requiring suppliers and contractors to permit the Association to inspect their accounts and records relating to performance of the contract and to have them audited by auditors appointed by the Association.

Annex B
to
SCHEDULE 3

Without limitation on the provisions of Schedule 3 to this Agreement and of the Procurement Guidelines and Consultant Guidelines (as such terms are defined in said schedule), the following provisions shall apply in respect of goods, works and consultants' services to be procured under the Project:

1. To ensure end-user participation in the procurement of goods, works 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 Procurement Guidelines and Consultant Guidelines and the Project Manual (provided, however, that in the event of any inconsistency between the Project Manual and the Procurement Guidelines and Consultant Guidelines, the provisions of the Procurement Guidelines and Consultant Guidelines shall apply).
2. The annual procurement plans and consultant selection plans referred to in this Agreement, 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 Schedule 3 to this Agreement 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 therefor, 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 be made available to any member of the public upon request, promptly after such award.

7. A list of all contracts awarded in the three (3) 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.

SCHEDULE 4

Implementation Program

1. The Recipient shall maintain until completion of the Project, the Steering Committee, whose mandate, composition and terms of reference shall be acceptable to the Association, to be responsible for overall coordination and oversight of the Project.
2. The Recipient shall establish and, thereafter, maintain until completion of the Project, a Project Implementation Unit in the provincial BPN office in Banda Aceh, consisting of suitably qualified and experienced staff in adequate numbers, including a Project Manager having qualifications and experience acceptable to the Association, to be responsible for coordination of the day-to-day implementation of the Project.
3. The Recipient shall cause BPN to issue a revised adjudication regulation, acceptable to the Association, reducing the documentary evidence requirements for registration of title in Aceh.
4. The Recipient shall cause the Ministry of Finance and BPN to issue a circular, acceptable to the Association, exempting Tsunami Affected People from the payment of taxes and fees for the issuance of replacement land titles or new land titles.
5. The Recipient shall cause BPN to issue a Community-Driven Adjudication Manual, acceptable to the Association, and designed to promote community-driven adjudication of ownership right, land boundaries and inheritance issues.
6. The Recipient shall cause BPN to issue a Financial Management Manual, acceptable to the Association, for purposes of the Project.
7. In carrying out Parts A and B of the Project, the Recipient shall furnish to the Association by August 31 of each year, commencing August 31, 2006, and until completion of the Project, an annual work plan and related budget for the following year, and, thereafter, carry out such plan taking into account the comments of the Association, if any.
8. The Recipient shall:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;
 - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2005, and until completion of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by March 31 and September 30 of each year, commencing March 31, 2006, and until completion of the Project, or such later date as the Association shall request, the two (2) most recent reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Performance Indicators

Components/Sub-Components (Intermediate indicators)	Results Indicators for Each Component
<p>Component A</p> <p>Reconstruction of Property Rights and Issuance of Land Titles</p> <p>A.1 Reconstruction of BPN’s Land Records</p> <p>Document recovery and imagery completed.</p> <p>A.2 Community-Driven Adjudication, Community Awareness and Participation</p> <p>Community-driven adjudication manual completed and approved.</p> <p>CDA Facilitators trained.</p> <p>Community awareness program established.</p> <p>A.3 Surveying and Mapping, Registration of Rights and Issuance of Title Certificates</p> <p>Teams are operational, with maps and equipment.</p>	<p>All land records reconstructed and held in digital records management system; by March 31, 2006.</p> <p>Community-driven adjudication is completed in all areas, as follows:</p> <ul style="list-style-type: none"> • Priority 1 areas (100,000 parcels) completed by December 31, 2005. • Priority 2 areas (200,000 parcels) completed by December 31, 2006 • Priority 3 areas (300,000) completed by December 31, 2007 <p>Title distribution completed as follows:</p> <ul style="list-style-type: none"> • Priority 1 areas are completed by June 30, 2006.

<p>A.4 Policy, Legal and Regulatory Support</p> <p>Policy requirements identified.</p>	<ul style="list-style-type: none"> • Priority 2 areas are completed by June 30, 2007 • Priority 3 areas are completed by June 30, 2008 <p>Policies/regulations implemented.</p>
<p>Component B Reconstruction of BPN Institutions in Aceh</p> <p>B.1 Reconstruction of Facilities and Provision of Equipment and Furniture</p> <p>New sites selected. Designs completed. Building contracts in place. Reconstruction/rehabilitation completed.</p> <p>B.2 Training and Capacity Building</p> <p>Training course implemented. Staff to be redeployed selected.</p> <p>B.3. Computerization and Development of Back-up System</p> <p>System developed. Training completed. Procedures developed.</p>	<p>Newly constructed land offices fully operational by December 31, 2006.</p> <p>Renovated and structurally strengthened land offices fully operational by March 31, 2006.</p> <p>Training of BPN staff completed July 31, 2005. Redeployment of staff commenced by July 31, 2005.</p> <p>System operational June 30, 2006.</p>
<p>Project Component C Project Management</p>	

<p>C.1. Project Management Support</p> <p>C.2. Monitoring and Evaluation.</p> <p>C.3. Technical Assistance.</p>	<p>Staff hired and trained. Systems operational.</p> <p>Hotline established and complaint response follow service standards.</p> <p>Procedures established.</p> <p>Audits carried out.</p> <p>TA is operational. Guidance and advise provided to the PIU, PMU and implementing agency.</p>
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SCHEDULE 6

Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04, 3.05, 4.02, 4.03, 4.06, 6.05 and Article VII are deleted in their entirety.

2. Wherever used in the General Conditions, the following terms are modified to read as follows:

- (a) The term “Borrower” is modified to read “Recipient”.
- (b) The term “Credit” is modified to read “Grant”.
- (c) The term “Credit Account” is modified to read “Grant Account”.
- (d) The term “Development Credit Agreement” is modified to read “Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement”.

3. Section 1.01 is modified to read as follows:

“Section 1.01. Application of General Conditions

These General Conditions set forth the terms and conditions generally applicable to the Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement to the extent and subject to any modifications set forth in such agreement.”

4. Paragraph 3 of Section 2.01 is modified to read as follows:

- “3. “Recipient” means the party to the Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement to which the Grant is made.”

5. Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement, the proceeds of the Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be

financed under the Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Grant is excessive or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement as required to be consistent with such policy of the Association."

6. Article VI is modified as follows:

- (a) The word "credit" in paragraphs (a)(ii) and (c)(i) of Section 6.02 is replaced with the words "credit, grant or financing".
- (b) Section 6.03(c) is modified by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive".

7. Section 8.01(a) is modified to read as follows:

"(a) All amounts which the Recipient shall be required to pay under the Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Recipient."

8. Section 12.05 and its heading are modified to read as follows:

"Section 12.05. Termination of Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement.

The obligations of the Recipient under the Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement shall terminate on the date twenty (20) years after the date of the Multi-Donor Trust Fund for Aceh and North Sumatra Grant Agreement."