Mrs Jacqui De Lacy  
Head of AusAID Indonesia  
Australian Agency for International Development  
Australian Embassy  
Jl. H.R. Rasuna Said Kav. C-15-16  
Jakarta 12940

Dear Mrs. De Lacy:

(TF No. 071830/AusAID Agreement No. 61926)

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development ("IBRD" or the "Bank") that the Government of Australia, acting through the Australian Agency for International Development ("AusAID" or the "Donor") shall make available as a grant the sum of five million Australian dollars (AUD5,000,000) (the "Contribution") for the Support for Enhanced Macroeconomic and Fiscal Policy Analysis Trust Fund (the "Trust Fund") in accordance with the terms of this Agreement. Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Agreement.

2. The Contribution shall be used to finance the activities and the categories of expenditure set forth in the "Description of Activities, Expenditures and Governance Arrangement under the Support for Enhanced Macroeconomic and Fiscal Policy Analysis Trust Fund" attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Agreement including the "Standard Provisions Applicable to the Support for Enhanced Macroeconomic and Fiscal Policy Analysis Trust Fund" (the "Standard Provisions") attached hereto as Annex 2.

3. The Donor shall deposit the Contribution into such bank account designated by the Bank in installments in accordance with the following schedule:

   (a) Within thirty (30) days of countersignature of this Agreement by the Donor and submission of a payment request by the Bank, one million five hundred thousand Australian dollars (AUD1,500,000);

   (b) on or before January 5, 2013 upon submission of a payment request by the Bank, one million seven hundred fifty thousand Australian dollars (AUD1,750,000); and
(c) on or before January 5, 2014 upon submission of a payment request by the Bank, one million seven hundred fifty thousand Australian dollars (AUD1,750,000).

4. When making each such deposit, the Donor shall instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for TF071830 (the Support for Enhanced Macroeconomic and Fiscal Policy Analysis Trust Fund), and the date of the deposit (the “Deposit Instruction”). In addition, the Donor shall provide a copy of the Donor’s Deposit Instruction to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

5. The Bank shall convert the Contribution funds into the holding currency of the Trust Fund, namely the United States dollars, promptly upon receipt of the Contribution funds and the Deposit Instruction containing the information specified in paragraph 4 at the exchange rate obtained by the Bank on the date of the conversion. Where the Contribution proves to be insufficient to complete the activities as a result of an exchange rate fluctuation, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.

6. Except as provided for in paragraph 4 above, any notice, request or other communication to be given or made under this Agreement shall be in writing and delivered by mail, facsimile or e-mail to the respective party’s address specified below or at such other address as such party notifies in writing to the other party from time to time:

For the Bank:

Enrique Blanco Armas
Senior Economist
EASPR – East Asia Pacific Region
Jakarta Stock Exchange Building, Tower 2, 12th Floor
Jl. Jenderal Sudirman Kav. 52-53
Jakarta 12190
Indonesia
Tel: (62) (21) 5299-3260
Fax: (62) (21) 5299-3111

For the Donor:

Melisa Go
Unit Manager, Economic Governance
Australian Agency for International Development, Australian Embassy
Jl. H.R. Rasuna Said Kav. C15-16
Jakarta 12940
Indonesia
Tel: (62) (21) 29226 887
Fax: (62) (21) 2902 1474
7. All annexes hereto constitute an integral part of this Agreement. This Agreement may be amended only in writing between the Bank and the Donor; provided, however, that such annexes may be amended only with the agreement of all donors contributing to the Trust Fund.

8. Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the Bank of the copy of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Shubham Chaudhuri  
Acting Country Director, Indonesia

AGREED:  
GOVERNMENT OF AUSTRALIA

By:  

Name: Jacqui De Lacy  
Title: Head of AusAID Indonesia  
Australian Agency for International Development  
FMA Act s.44 Delegate

Date: 17/2/2012
Description of Activities, Expenditures and Governance Arrangement under the Support for Enhanced Macroeconomic and Fiscal Policy Analysis Trust Fund

This Annex shall be applicable to and form an integral part of all agreements entered into between the Bank and entities (collectively, the “Donors”) that provide contributions (the aggregate of all contributions from the Donors, the “Contributions”) to be administered by the Bank for the Trust Fund.

A. OBJECTIVE

The objective of this Trust Fund is to build the Republic of Indonesia capacity for evidence-based macro and fiscal policy making through support to the relevant agencies in the government.

B. DEFINITIONS

Unless the context otherwise requires, the several terms defined in the Trust Fund Administration Agreement have the respective meanings therein set forth, and the following additional terms and expressions have the meanings set out below.

1. “Bank-executed Activities” means the activities described in Section C of this Annex, and to be executed by the Bank.


5. “GPF” means the Government Partnership Fund, a partnership program between the GOI and the GOA, or any successor thereto.


8. “Joint Management Committee” or “JMC” means the Joint Management Committee referred to in paragraphs 2, 3, 4, and 5 of Section E of this Annex.

9. “MoF” means the Ministry of Finance of the Republic of Indonesia, or any successor thereto.

10. “Working Level Group” means the Working Level Group referred to in paragraphs 7, 8 and 9 of Section E of this Annex.
C. DESCRIPTION OF ACTIVITIES

The Contribution may be used to finance Bank-executed Activities including as set out below.

1. **Component 1: Capacity building through a core team of consultants and staff.** Capacity building on the areas identified as policy priorities by the GOI and the Bank.

2. **Component 2: Support to the Indonesia Economic Quarterly.** Producing on a quarterly basis a core set of economic projections while building capacity of the FPO staff to be able to undertake similar exercise.

3. **Component 3: Highly-specialized expert technical assistance and capacity building for technical projects.** Capacity building and the provision of technical inputs by senior experts on specialized topics.

4. **Component 4: Building capacity of the Government of the Republic of Indonesia to work together with local research institutes for fiscal policy analysis.**

D. CATEGORIES OF EXPENDITURE

1. The Contributions may be used to finance: (a) associated overheads; (b) consultant fees; (c) contractual services; (d) equipment costs lease; (e) equipment costs purchase; (f) extended term consultants; (g) field assignment benefits; (h) media and workshop costs; (i) staff costs (no indirect cost allowed); and (j) travel expenses.

2. The foregoing categories of expenditures may include the financing of taxes.

E. GOVERNANCE ARRANGEMENT

1. The FPO and the Donors shall be responsible for providing strategic guidance to the Bank in its implementation of the program, consistent with the objective and activities agreed in this Annex, and for ensuring that the program remains aligned with the priorities of the GOI, the Donors and the Bank.

2. **Joint Management Committee (JMC).** There shall be established a Joint Management Committee to be co-chaired by the Head of the FPO, the Donor’s Lead Economist, and the Bank’s Lead Economist or their designated representatives, and consisting of representatives of the Republic of Indonesia and other donors as identified from time to time by the co-chairs of the Joint Management Committee. The structure of the JMC may be revisited by the committee when there are new Donors joining the Trust Fund.

3. The Joint Management Committee shall be responsible for: (a) discussing the annual progress reports prepared by the Bank; (b) setting up policy priorities and discussing the work program for the year ahead; (c) approving the formation of a Working Level Group that is able to consider or manage the implementation of program activities; and (d) approving the JMC Framework.

4. The co-chairs of the Joint Management Committee may agree to include non-members of the Joint Management Committee to participate in or observe meetings of the Joint Management Committee.
5. The Joint Management Committee shall meet at least once a year.

6. JMC Framework. There shall be a JMC Framework that includes details on the operation of the Trust Fund in accordance with this Agreement, including: (a) the roles, functions and arrangements for calling, conducting and recording meetings of: (i) the Joint Management Committee; and (ii) the Working Level Group; and (b) other implementation arrangements as agreed between the Bank and the Joint Management Committee in line with this Agreement. The Joint Management Committee shall approve any changes to the JMC Framework. In the event of any conflict between the JMC Framework and this Agreement, the terms of this Agreement shall prevail.

7. Working Level Group. There shall be established a Working Level Group consisting of the primary echelon II counterparts within the GOI or their designated representatives, GFP advisors in the FPO, the Counselors for Economic Governance of the Donors or representatives of similar level of responsibility, and the Bank’s senior country and country economists leading this program or their designated representatives, as well as other relevant stakeholders. The Working Level Group will be co-chaired by one representative each from the FPO, the Donor and the Bank.

8. The Working Level Group shall be responsible for: (a) reviewing the program of support, including a rolling identification of priority areas of support for the next twelve (12) months, discussion of the work being done and preparation for the progress review of the annual progress reports; and (b) discuss any urgent administrative or managerial issues.

The Working Level Group shall meet at least once every six months. The Working Level Group may meet on an as needed basis to review work being done and for technical discussion. The Working Level Group may also decide to meet to discuss any urgent managerial or administrative issues.
F. REPORTING

1. A progress and financial report will be submitted to the JMC ahead of its meeting on annual basis. This will detail key outputs to date and implementation progress against the annual work plan and summarize disbursements to date and planned disbursements in the subsequent year.

G. TRANSFER OF ASSETS

1. Any asset financed under the category of equipment costs purchase in paragraph 1(e) of Section D of this Annex shall be transferred to the Republic of Indonesia upon the completion of the Trust Fund activities.
ANNEX 2


This Annex shall be applicable to and form an integral part of all agreements entered into between the Bank and the Donors that provide Contributions to be administered by the Bank for the Trust Fund.

1. Administration of the Contributions

1.1. The Bank shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of the IBRD under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2. The Contribution shall be administered in accordance with the Bank’s applicable policies and procedures, as the same may be amended from time to time, including its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank’s obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the Charter of the United Nations. The Donor acknowledges that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to the Donor, nor shall it be deemed a waiver, express or implied, of any of the privileges and immunities of the Bank.

2. Commingling, Exchange and Investment of the Contributions

2.1. The Contributions shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The Contributions may be commingled with other trust fund assets maintained by the Bank.

2.2. The Contributions may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.3. The Bank shall invest and reinvest the Contributions pending their disbursement in accordance with the Bank’s policies and procedures for the investment of trust funds administered by the Bank. The Bank shall credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.
3. **Administrative Cost Recovery**

3.1. In order to assist in the defrayment of the costs associated with the establishment of the Trust Fund, the Bank may, following deposit of the first Contribution from any Donor to the Trust Fund, deduct and retain for its own account from that Contribution an amount equal to and not greater than thirty-five thousand United States Dollars (US$35,000).

3.2. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may deduct and retain for its own account an amount equal to five percent (5%) from each Contribution. If the contributions increase beyond what was originally expected at the time of counter-signature of the first administration agreement, and the administrative costs increase as a result, the Donors acknowledge that an additional administrative fee may be applied to such new contributions.

4. **Procurement**

The employment and supervision of any consultants and the procurement of any goods financed by the Contributions shall be the responsibility of the Bank and shall be carried out in accordance with its applicable policies and procedures.

5. **Accounting and Financial Reporting**

5.1. The Bank shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

5.2. The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the holding currency of the Trust Fund with respect to the Contributions via the World Bank’s Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the holding currency of the Trust Fund with respect to the Contributions will be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.

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

5.4. If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the requesting Donor.
6. **Progress Reporting**

6.1. The Bank shall provide the Donors with an annual report on the progress of activities financed by the Contributions. Within six (6) months of the final disbursement date specified in paragraph 8.2, the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

6.2. Any Donor may review or evaluate activities financed by the Trust Fund. The Donor and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of its policies and procedures. All associated costs shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

7. **Disbursement; Cancellation; Refund**

7.1. The Contributions may be used to retroactively finance payments for eligible expenditures in accordance with the Bank’s policies and procedures.

7.2. It is expected that the Contributions will be fully disbursed by the Bank by April 30, 2015. The Bank shall only disburse Contributions for the purposes of this Agreement after such date with the written approval of the Donors.

7.3. Any Donor or the Bank may, upon three (3) months’ prior written notice, cancel all or part of the Donor’s pro rata share, of any remaining balance of the Contributions that is not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Agreement prior to the receipt of such notice.

7.4. Following the final disbursement date specified in paragraph 7.2, the Bank shall return any remaining balance of the Contributions to the Donors or to the relevant Donor Balance Account on a pro rata basis based on the Donors’ paid Contributions. In the event of a cancellation the Bank shall promptly return to the relevant Donor or Donors or to the relevant Donor Balance Account the Donor’s pro rata share of uncommitted Contributions in accordance with paragraph 7.3.

8. **Disclosure**

The Bank will disclose this Agreement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Agreement, Donors consent to disclosure of this Agreement and related information on this Trust Fund.