CONFORMED COPY

Stefan G. Koeberle
Country Director, Indonesia

June 6, 2011

Mr. Rahmat Waluyanto
Director General of Debt Management
Ministry of Finance
Jalan Lapangan Banteng Timur 2-4
Jakarta 10710

Dear Mr. Waluyanto:

Re: Indonesia: Amendment No. 1 to the PNPM Support Facility Trust Fund (PSF) – PNPM Generasi Project - TF097410 (First Additional Financing Amendment)

I refer to the grant agreement (“Grant Agreement”), dated August 16, 2010, between the Republic of Indonesia (“Recipient”) and the International Bank for Reconstruction and Development (the “World Bank”) acting as administrator of grant funds under the Support Facility for the National Program for Community Empowerment (“PSF”) (TF070967 and TF071562) for the PNPM Generasi Project to provide grant financing for health and education-related activities under the Recipient’s Program for National Community Empowerment, or Program Nasional Pemberdayaan Masyarakat Mandiri, (“PNPM”). The Grant Agreement provided for a grant in the amount of ten million two hundred thousand United States Dollars (US$10,200,000) (the “Original Grant”) financed out of PSF TF070967. Capitalized terms used but not defined in this letter have the meanings given to them in the Grant Agreement, as amended by this letter of amendment.

I refer also to: (i) the letter from the Ministry of Finance dated January 14, 2011, requesting additional financing in the amount of twenty eight million one hundred twenty three thousand United States Dollars (US$28,123,000) to be financed out of PSF TF070967 to support Project activities in the existing Kecamatan and an additional approximately 90 Kecamatan; and (ii) the endorsement of the PSF Joint Management Committee on March 31, 2011 for the requested additional financing.

The World Bank has considered the request, and on the basis of the endorsement of the PSF Joint Management Committee described above, agrees to amend the Grant Agreement as set out below (the “First Additional Financing Amendment”).

A. Provision of the First Additional Financing Grant

1. The World Bank agrees to extend to the Recipient on the terms and conditions referred to in the Grant Agreement, as amended by this First Additional Financing Amendment, an additional financing grant (the “First Additional Financing Grant”) in an amount not exceeding twenty eight million one hundred twenty three thousand United States Dollars (US$28,123,000) to assist in financing the Project. The total Grant amount, as of the date of this First Additional Financing Amendment, including the Original Grant and the First Additional Financing Grant, shall not exceed thirty eight million three hundred twenty three thousand United States Dollars (US$38,323,000). This First Additional Financing 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.

B. Amendments Reflecting the Terms and Conditions of the First Additional Financing Grant

2. Except as specifically provided for in this agreement, all of the terms and conditions set out in the Grant Agreement shall apply to the First Additional Financing Grant. References to “Grant” in the Grant Agreement shall include both the Original Grant and the First Additional Financing Grant. References to “this Agreement” shall mean the Grant Agreement together with this First Additional Financing Amendment.

3. **Standard Conditions.** Section 1.01 of the Grant Agreement as it applies to the First Additional Financing Grant is amended by replacing the date of the Standard Conditions of “July 20, 2006”, with the date of the current Standard Conditions of “July 31, 2010”.

4. **PNPM Generasi Manual.** Schedule 2. Paragraph 1 of Section I.C (Implementation Arrangements) is amended to add a new sub- sub-paragraph (c) as follows: “(c) The PNPM Generasi Manual includes the amendments thereto dated March 25, 2011 and acceptable to the World Bank and the Recipient made to reflect the First Additional Financing.”

5. **Withdrawal of Grant Proceeds.** Schedule 2. The Table in paragraph 2 of Section IV.A (Withdrawal of Grant Proceeds) is amended as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Grant Allocated (Expressed in US$)</th>
<th>Percentage of Expenditure to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Generasi Kecamatan Grants</td>
<td>35,093,000</td>
<td>100% of Generasi Kecamatan Grant amount disbursed</td>
</tr>
<tr>
<td>(2) Consultants services and training and workshops* for facilitation support under Part 2 of the Project</td>
<td>2,322,000</td>
<td>100% of Sub-Grant amount disbursed</td>
</tr>
<tr>
<td>(3) Consultants services, non-consultants services, and training and workshops* for training and capacity building under Part 3 of the Project</td>
<td>750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods and incremental operating costs*</td>
<td>158,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>38,323,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
6. **Definitions.** The following paragraphs of Section I.B of the Appendix to the Grant Agreement are amended as they shall apply to the First Additional Financing Grant as follows:

   (a) Paragraph 1 is amended as follows: “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.

   (b) Paragraph 15 is amended as follows: “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 16, 2010, as amended as of March 25, 2011 to reflect the First Additional Financing, 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.


7. **Modifications.** Reflecting the application of the Anti-Corruption Guidelines and Standard Conditions referred to in paragraph 7 of this First Additional Financing Amendment, Section II of the Appendix is deleted.

   Please confirm your agreement to the foregoing by signing and dating all three enclosed copies of this letter in the space provided and returning one signed copy to us. The above amendment will become effective as of the date of the later date of countersignature of this letter by the Recipient.

   Sincerely yours,

   /s/ Stefan G. Koeberle  
   Country Director, Indonesia

CONFIRMED:  
REPUBLIC OF INDONESIA

By:/s/ Rahmat Waluyanto  
Authorized Representative

Name: Rahmat Waluyanto  
Title: Director General of Debt Management
Date: June 14, 2011
