Ms. Caroline Tupamahu  
Executive Director  
Bursa Pengetahuan Kawasan Timur Indonesia (BaKTI)  
Jl. A. Mappanyukki No. 32  
Makassar, 90125  
South Sulawesi – Indonesia

Dear Ms. Tupamahu:

Re: TF0A2955- Improving Teacher Performance and Accountability (KIAT Guru)  
Letter Agreement

In response to the request for financial assistance made on behalf of Bursa Pengetahuan Kawasan Timur Indonesia (BaKTI) ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the donors ("Donor(s)") under the Multi-Donor Trust Fund for Support for National Community Empowerment (TF070967), proposes to extend to the Recipient for the benefit of the Republic of Indonesia ("Member Country"), a grant in an amount not to exceed three million six hundred and twenty three thousand United States Dollars (U.S.$ 3,623,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Rodrigo A. Chaves
Country Director, Indonesia

AGREED:
BURSA PENGETAHUAN BARAT TIMUR INDONESIA

By: 
Authorized Representative

Name: CAROLINE TUPAMAHU
Title: EXECUTIVE DIRECTOR
Date: JULY 19, 2016

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the presence and service quality of primary school teachers in targeted areas.

The Project consists of the following parts:

(a) **Community Empowerment Mechanism.** Providing community members with an explicit role to monitor and evaluate teacher service performance and to ensure teacher accountability, including through: (i) training and coaching of village cadres; (ii) capacity building for parents and community members; (iii) facilitating meetings between community members and teachers to develop service agreements and community score card; (iv) assisting community members in selecting user committee (v) facilitating user committee evaluation of teacher service performance; and (vi) setting up mechanism for community members to share their inputs on education service improvements to village, sub-district and district governments.

(b) **Pay for Performance Mechanism.** Linking payment of special allowance for teachers with teacher presence or teacher service quality, including through (i) reviewing relevant existing regulations; (ii) organizing meetings and workshops with relevant government and non-government stakeholders on policy review and recommendations; and (iii) providing technical inputs to government and non-government stakeholders in developing relevant managerial and administrative instrument.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall establish and maintain throughout the Project implementation period, a national office, to be located at the Member Country’s capital, provided with sufficient resources and staffed with competent personnel in adequate numbers, with qualification, experience and terms of reference satisfactory to the World Bank, to be responsible for day-to-day implementation of the Project.
(b) The Recipient shall adopt and ensure that the Project is carried out in accordance with the Project Operations Manual, acceptable to the World Bank, giving details of guidelines and procedures agreed with the World Bank for the implementation, supervision, and monitoring and evaluation of the Project, including: (i) details of activities; (ii) details of implementation arrangements, including approval mechanism for activities and asset management; (iii) reporting, monitoring and evaluation requirements; (iv) financial management and audit procedures as set forth in Section 2.06 of this Annex; (v) standard procurement documentation; (vi) Project performance indicators; and (vii) social safeguard measures and procedures.

(c) Except as the Recipient and the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, any provision of the Project Operations Manual.

(d) In the event of a conflict between the provisions of such Project Operations Manual and those of this Agreement, the latter shall govern.

(e) The Recipient shall ensure that annual work plans are developed and furnished to the World Bank no later than September 30 of each fiscal year during the implementation of the Project, beginning on September 30, 2016 (or such later date as the World Bank may agree) for the World Bank’s approval, an annual work plan containing detailed activities and budget proposed to be included in the Project in the following year.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor(s) to visit any part of the Member Country’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods, non-consulting services and 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:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) 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 100% of Eligible Expenditures consisting of Consulting Services, Training and Workshops, and Incremental Operating Costs inclusive of Taxes.

* For the purposes of this paragraph, the following terms shall have the following meanings: (i) “Training and Workshops” means reasonable costs of expenditures incurred by the Recipient in facilitating and carrying out of training and workshops activities in the territory of the Member Country, including purchase and publication of materials, rental of facilities and equipment, course fees and travel and subsistence of trainees; and (ii) “Incremental Operating Costs” means reasonable incremental operating costs under the Project incurred by the Recipient for purposes of Project management, implementation and monitoring and evaluation, including local contractual support staff salaries; travel and other travel-related expenditures; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance; materials and supplies; utilities and communications expenses; consumables, bank charges and advertising expenses, but excluding salaries and honoraria of officials and staff of the Member Country.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $75,000 equivalent may be made for payments made prior to this date but on or after April 1, 2016, for Eligible Expenditures.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2017.
Article IV
Recipient’s Representative; Addresses

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Recipient’s Executive Director.

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

Jl. A. Mappanyukki No. 32
Makassar, 90125
South Sulawesi - Indonesia

Facsimile:
62-411-832228

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391