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

Dear Ms. Tupamahu:

Re: PSF Grant No. TF013382
Barefoot Engineers Training III Project

In response to the request for financial assistance made on behalf of the 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 donors ("Donors") under the Support Facility for National Program for 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 one million seven hundred fifty-three thousand five hundred United States Dollars (U.S.$1,753,500) ("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 Donor[s] 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. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]
Josephine Bassinette
Acting Country Director, Indonesia

AGREED:
BURSA PENGETAHUAN KAWASAN TIMUR INDONESIA (BAKTI)

By: [Signature]
Authorized Representative

Name: CAROLINE TUPAMAHU
Title: EXECUTIVE DIRECTOR
Date: OCTOBER 25, 2012

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


1.02. **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. For purposes of this Agreement, the following terms, whenever used in this Agreement shall have the following meanings:

(a) “Minister of Home Affairs” means the Minister of Home Affairs of the Recipient, or any successor thereto.

(b) “PNPM Rural” means *Program Nasional Pemberdayaan Masyarakat Mandiri*, the Recipient’s National Program for Community Empowerment, as described in Perpres 13/2009, as the same may be amended or updated from time to time.

(c) “RESPEK” means *Rencana Strategis Pembangunan Kampung*, the Recipient’s program as described in the Minister of Home Affairs decree No. 900/1451/PMD dated March 1, 2012.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to provide trained technical facilitators for the PNPM Rural/RESPEK Program in the provinces of Papua and West Papua. The Project consists of the following parts:

Part 1. Conduct training and mentoring

(a) Providing a six month training program for high school graduates on basic engineering and facilitation skills; and

(b) Delivering a refresher training program consisting of two seven day courses on strengthening the core skills of the alumni of the basic engineering training; and

(c) Organizing a mentoring and on-the-job training program for the graduates, participation of the trainers/mentors in PNPM’s regular district and provincial meetings, and field visit to the sub-districts where the facilitators are posted.
Part 2. Monitoring and evaluation

Providing support to evaluate the effectiveness of the training, support for a tracer study of previous graduates and regular monitoring activities.

Part 3. Providing supervision and implementation support

Providing support for Project operations and independent financial audit.

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. The Recipient shall be responsible for the implementation of the Project and shall establish and thereafter maintain until completion of the Project, a project team, with staffing and terms of reference acceptable to the World Bank.

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 Donors’ 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 Donors 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 set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than forty-five days after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) at least 140 high school graduates trained and at least 30% of them are women;

(ii) at least 124 participants graduated from the training; and

(iii) at least 140 facilitators received the refresher training.

(c) 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 as part of the Project Report not later than forty-five 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:

   (i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

   (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 (“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 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) Selection of Individual Consultants; and (B) 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) 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 following table. The 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Training and workshop, Consultants’ Services, Goods and Non-consulting Services, Direct Operational Costs and Indirect Operational Costs*</td>
<td>1,753,500</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,753,500</td>
<td></td>
</tr>
</tbody>
</table>

* For the purposes of this paragraph:

(i) the term “Training and Workshops” means Project-related training and workshops conducted in the territory of the Member Country, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees;
(ii) the term "Direct Operational Costs" means operating costs incurred by the Recipient and required for the Project, including technical and professional staff costs that have been demonstrated as being directly attributable to the Project, new office cost, designated vehicle rental, operation and maintenance, document production and travel costs (other than for training and workshops); and

(iii) the term "Indirect Operational Costs" means operating costs incurred by the Recipient as part of its ongoing operations, the designated portion of which have been agreed may be charged to the Project, including existing office space, existing vehicle operation and maintenance, operating costs for existing office space, headquarters overhead costs, support staff costs, and management staff costs.

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 countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed $350,700 equivalent may be made for payments made prior to this date but on or after September 1, 2012, for Eligible Expenditures under this Grant.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2013.

### 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

Telephone: 62-411-832228
Facsimile: 62-411-852146

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

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