ADMINISTRATION AGREEMENT
FOR EUROPEAN UNION CONTRIBUTIONS, AS REPRESENTED BY THE
COMMISSION, TO TRUST FUNDS
WITH MORE THAN ONE DONOR

Support to Public Financial Management and Revenue Administration in Indonesia
Multi-Donor Trust Fund – Phase II (World Bank TF071375) (EC No. 2013/332-237)

Article 1
Subject

Section 1.01. In pursuance of the Trust Funds and Cofinancing Framework Agreement between
the European Union, represented by the European Commission (the "Commission" or the
"Donor"), and the International Bank for Reconstruction and Development ("IBRD" or the
"Bank"), the International Development Association ("IDA"), and the International Finance
Corporation ("IFC") (collectively, the World Bank Group) dated March 20, 2009 (the
"Framework Agreement"), the Commission hereby agrees to make available a Contribution for an
amount referred to in Section 3.02, and to be administered by the IBRD for the Support to Public
Financial Management and Revenue Administration in Indonesia (TF071375)- Phase II (the
"Project" or the "Trust Fund").

Section 1.02. The Contribution shall be used exclusively for the purposes set out in Annex I
which includes a Description of the Project as well as, where required, the expenditures eligible
for financing from the Commission, and the relevant indicators.

Section 1.03. The IBRD shall administer the Contribution in accordance with the provisions of:

(a) the Framework Agreement;

(b) this Administration Agreement;

(c) the attached General Conditions applicable to European Union Contributions to
Trust Funds (the "General Conditions"); and

(d) the standard provisions agreed between the IBRD and the donors (the "Standard
Provisions").

Section 1.04. The Contribution is provided under Joint Management for all purposes of this
Administration Agreement.

Section 1.05. The Project is a Multi-Donor Trust Fund for all purposes of this Administration
Agreement.

Section 1.06. The trust fund is not an Exceptionally large trust fund for the purposes of Section
16.03 of the General Conditions.
Section 2.01. This Administration Agreement shall enter into force when the last of the two Parties signs and will remain in force until the End Date.

Section 2.02. Expenses financed under the Contribution must be incurred after the date following that on which the last of the two parties signs.

Section 2.03. It is expected that an amount of the trust fund equal to the Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by August 31, 2018 ("End Disbursement Date"). The End Disbursement Date can only be modified with the agreement of both Parties pursuant to Article 9 of the General Conditions.

Section 2.04. The IBRD shall only disburse the European Union’s pro rata share of the funds remaining in the trust fund, including any investment income added thereto for the purposes of this Administration Agreement after the End Disbursement Date with the prior written agreement of the Commission.

Article 3
Amount of the Contribution

Section 3.01 The budget of the trust fund is estimated to be EUR 16,175,100 (sixteen million one hundred seventy five thousand one hundred Euros) as set out in Annex IV. For information purposes only, EUR 16,175,100 is estimated to be the equivalent of USD22,375,439 (twenty two million three hundred seventy five thousand four hundred thirty nine United States Dollars) as of May 1, 2014, using an exchange rate of Euro 0.7228953 per USD 1.

Section 3.02 The Commission undertakes to finance EUR 9,500,000 for the trust fund.

Section 3.03 Indirect Costs under this Administration Agreement shall not exceed 7% of the final amount of eligible Direct Costs of the Contribution.

The IBRD may, following deposit of the Contribution by the Commission, deduct from each Contribution of the Commission and retain for the IBRD own account an amount equal to 2% of the Contribution. In addition, staff costs for program management up to a maximum equal to 3.94% of the Contribution will be charged to the trust fund on an actual basis and as a Direct Cost provided they comply with Section 14.01 of the General Conditions. The final amount that the IBRD is entitled for Indirect Costs shall be adjusted to the actual disbursed amounts of the Contribution in accordance with Articles 14 and 17 of the General Conditions.

Section 3.04 The following categories of costs shall be considered eligible under this Administration Agreement provided they comply with Section 14.01 of the General Conditions:

(a) **Recipient-Executed Activities:** consultants’ services; goods; training and workshops; and incremental operating costs; and

(b) **Bank-Executed Activities:** short- and extended-term consultants’ services, contractual services, and associated overheads; temporary staff costs and staff costs (salaries, benefits and indirect costs); travel expenses; and media, workshops and conference costs.
Article 4  
Payment schedule and Reporting

Section 4.01. Payments will be made in accordance with Article 15 of the General Conditions, and in accordance with the following payment schedule:

- **Advance payment**: EUR 4,750,000
- **Intermediate payment**: 20% of EUR 1,900,000 (subject to the provisions of the General Conditions)
- **2nd Intermediate payment**: 20% of EUR 1,900,000 (subject to the provisions of the General Conditions)
- **Final payment**: 10% of EUR 950,000 (subject to the provisions of the General Conditions)

The World Bank Group shall convert such funds into the United States Dollars promptly following receipt of the funds, and receipt of all the appropriate legal documentation and the payment details information.

Section 4.02. Narrative progress report(s) and financial information shall be provided consistent with Article 2 of the General Conditions, and in accordance with the following schedule:

(a) A narrative progress report shall accompany every request for a further instalment of financing. A final narrative report shall be forwarded to the Commission within six (6) months after the End Disbursement Date;

(b) The progress financial information shall be made available via the Bank's Trust Funds Donor Center secure website following the signature of this Administration Agreement. The final financial information shall be made available via the Bank's Trust Funds Donor Center secure website within six (6) months after the End Disbursement Date.

Section 4.03. For the purposes of Section 2.03 of the General Conditions an updated workplan shall be provided with each report.

Article 5  
Communications and addresses

Any communication relating to this Administration Agreement shall be in writing, shall state the number and title of the trust fund, and shall use the following addresses.

Payment requests and attached reports, including requests for changes to bank account arrangements pursuant to Section 9.02 of the General Conditions, shall be sent to:
For the Commission:

The payment request documents referred to above, and correspondence of any other nature, shall be sent to:

European Commission Delegation
For the attention of Financial Section, Intiland Tower, 16th Floor, Jl. Jend. Sudirman 32, Jakarta 10220, Indonesia

The reports referred to in Section 4.02 shall be sent to the European Commission Delegation in charge of monitoring the Project, at the following address:
Operation Section, Intiland Tower, 16th Floor, Jl. Jend. Sudirman 32, Jakarta 10220, Indonesia

For the IBRD:
Bernard Myers
Senior Public Sector Specialist, EASPI
Indonesia Stock Exchange Building Tower 2, 12th Fl.
Jl. Jenderal Sudirman Kav. 52-53
Jakarta 12190

Article 6
Annexes

Section 6.01. The following documents are annexed to this Administration Agreement and form an integral part thereof:

Annex I: Description of the Project.
Annex II: General Conditions applicable to European Union Contributions to Trust Funds.
Annex III: Standard Provisions Applicable to the Trust Fund, as agreed between the IBRD and the donors.
Annex IV: Indicative Budget for the Project.
Annex V: Indicative Indicators.

Section 6.02 In the event of a conflict between the provisions of the Annexes and those of this Administration Agreement, the provisions of this Administration Agreement shall take precedence. In the event of a conflict between the provisions of Annex II and those of the other Annexes, the provisions of Annex II shall take precedence.

Article 7
Other conditions applying to the Project

Section 7.01. The measures taken to identify the European Union as the source of financing shall be the inclusion of the Donor's logo in publications and promotion materials related to the Trust Fund activities.
This agreement is drawn up in three originals, two for the Commission and one for the World Bank Group entity.

<table>
<thead>
<tr>
<th>For the European Union, represented by the Commission of the European Communities</th>
<th>For the International Bank for Reconstruction and Development</th>
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<tbody>
<tr>
<td>Name: Olof Skoog</td>
<td>Name: Josephine M. Bassinette</td>
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<tr>
<td>Position: Head of Delegation</td>
<td>Position: Acting Country Director</td>
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<td>Signature:</td>
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<td>Date: 11 July 2014</td>
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ANNEX I

DESCRIPTION OF THE PROJECT

SUPPORT TO PUBLIC FINANCIAL MANAGEMENT REVENUE ADMINISTRATION IN INDONESIA
MULTI-DONOR TRUST FUND PHASE II

Component I. Providing support to improve oversight of public financial management reform processes to achieve an adequate sequencing and coordination of reform activities. Depending on the approval by the Management Committee (as per Section 7 of Annex III (Standard Provisions Applicable to the Trust Fund), this component would include activities such as the provision of technical assistance to enhance coordination among central institutions and ministries on planning, implementation, and monitoring of public expenditure.

Component II. Providing support to improve target allocation of public funds for development priorities based on improved information about the efficiency and effectiveness of government spending. Depending on the approval by the Management Committee (as per Section 7 of Annex III (Standard Provisions Applicable to the Trust Fund), this component would include activities such as the provision of technical assistance to further enhance the analytical capacity of Bappenas (the planning agency of the Republic of Indonesia), the Ministry of Finance, and other relevant government agencies, as well as external stakeholders, through the carrying out of activities such as sector spending reviews.

Component III. Providing support to improve links between budgetary spending and the improvement of public services by improving the result-orientation of the budget process. Depending on the approval by the Management Committee (as per Section 7 of Annex III (Standard Provisions Applicable to the Trust Fund), this component would include activities such as the provision of technical assistance to the Ministry of Finance, BAPPENAS, and line ministries to support the improvement of the Republic of Indonesia’s medium term expenditure framework system as well as the Republic of Indonesia’s performance based budgeting system, and the provision of technical assistance for the institutional reform (“institutional transformation” as referred by the government) of the Directorate General of Budget of the Ministry of Finance to enhance its role in budget planning.

Component IV. Providing support to improve budget execution and reporting. Depending on the approval by the Management Committee (as per Section 7 of Annex III (Standard Provisions Applicable to the Trust Fund), this component would include activities such as: (i) the provision of technical assistance to facilitate the migration to accrual accounting, improving cash management and asset-liability management, improving budget oversight of the public service agencies (“BLUs” agencies in the Republic of Indonesia budgetary system), the reporting of fiscal data for the general government, and the further streamlining of budget execution procedures; (ii) the provision of technical assistance for the implementation and stabilization of the Ministry of Finance’s integrated financial management system (“SPAN” as per its initials in Bahasa Indonesia), as well as the eventual integration of asset management, e-Procurement, agency integrated financial application systems (“SAKTI” as per its initials in Bahasa Indonesia), the Republic of Indonesia’s performance based budgeting system and medium term expenditure framework systems into an integrated financial management system (“SPAN” as per its initials in Bahasa Indonesia); and (iii) the provision of technical assistance to support the monitoring of public procurement processes, as well as to facilitate transparency and usability of budgetary data.
Component V. Providing support to enhance compliance and value-for-money in public resource use. Depending on the approval by the Management Committee (as per Section 7 of Annex III (Standard Provisions Applicable to the Trust Fund), this component would include activities such as: (i) the provision of technical assistance for the carrying out of activities that support the compliance and audit functions in Indonesia, including the work conducted by the Supreme Audit Board (BPK as per its initials in Bahasa Indonesia), the Finance and development Supervisory Agency (BPKP as per its initials in Bahasa Indonesia), the Association of Government Internal Auditors, Inspectorate Generals in the Ministry of Finance and in line ministries, and the Parliamentary Accounts Committee (BAKN as per its initials in Bahasa Indonesia); (ii) the provision of technical assistance to the Directorate General of Budget in the Ministry of Finance to prepare guidance on budget execution for line Ministries; (iii) the carrying out of technical assistance activities towards the enhancement of the effectiveness and efficiency of public procurement, such as the provision of support to review the implementation of procurement processes, the development of innovative procurement approaches, and the design or implementation of an information tool to collect physical and financial data on contract implementation; and (iv) the carrying out of an assessment of the nature and incidence of the use of informal payments when accessing central government services, and the analysis of options for the strengthening of accountability organizations and systems.

Component VI. Providing support to increase fiscal revenues through improved customs, tax and non-tax administration performance. Depending on the approval by the Management Committee (as per Section 7 of Annex III (Standard Provisions Applicable to the Trust Fund), this component would include activities such as: (i) the provision of technical assistance to improve tax administration performance through the support of the following functions: business processes and systems, tax compliance, organizational development, corporate governance, audit and arrears management, taxpayer services, and internal control; and (ii) the provision of technical support for improving non-tax revenue management, customs administration, or revenue capacity at the subnational level.

Component VII. Providing support to improve public financial management at the sub-national level. Depending on the approval by the Management Committee (as per Section 7 of Annex III (Standard Provisions Applicable to the Trust Fund), this component would include activities such as: (i) the provision of technical assistance to improve national public financial management regulations affecting subnational levels, the quality of public investment at the subnational level, sub-national fiscal data systems and user-friendly data dissemination, and the identification and piloting of social accountability tools for improving service delivery; (ii) the provision of technical assistance to enhance the effectiveness of the intergovernmental fiscal transfer system, as well as the development of a monitoring and evaluation system for local government performance linked to the transfer system; and (iii) the carrying out of an assessment of the nature and incidence of the use of informal payments and economic rents when accessing sub-national government services, and options for strengthening of accountability organizations and systems.

Component VIII. Providing support to strengthen and/or transform institutional capacity for public financial management. Depending on the approval by the Management Committee (as per Section 7 of Annex III (Standard Provisions Applicable to the Trust Fund), this component would include activities such as: (i) the provision of technical assistance to the Ministry of Finance and any of its General Directorates in implementing their institutional reform ("institutional transformation" as referred by the government) Blue Prints, such as those on human resources, organization, change management and activities related to integration of information communications technology through the Ministry of Finance’s center for information system and technology (PUSINTEK as per its initials in Bahasa Indonesia); and (ii) the provision of technical assistance to support institutional strengthening and change management in BAPPENAS.

Cross-cutting activity. Carrying out visibility and communications activities.
ANNEX II

GENERAL CONDITIONS APPLICABLE TO EUROPEAN UNION CONTRIBUTIONS TO TRUST FUNDS

GENERAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 1

General obligations of the World Bank Group entity

Section 1.01. The World Bank Group entity may, according to the Description of the Project in Annex I, execute the funds directly or may provide them to a Recipient for execution in accordance with the World Bank Group entity's policies and procedures.

Section 1.02. In case of a BETF, the World Bank Group entity shall carry out the Project in accordance with the Administration Agreement, including the Description of the Project contained in Annex I, and in accordance with the World Bank Group entity's policies and procedures. The World Bank Group entity shall report on the indicators specified in the Description of the Project.

Section 1.03. In case of a RETF, the World Bank Group entity shall be responsible, as administrator on behalf of the Commission, for making arrangements to ensure that the Contribution is used only for the purposes for which it was granted, with due attention to considerations of economy and efficiency. For this purpose, the World Bank Group entity shall monitor, evaluate, report and, where applicable, provide technical assistance, in accordance with the Administration Agreement, including the Description of the Project contained in Annex I, the Grant Agreement and the World Bank Group entity's policies and procedures. The World Bank Group entity shall report on the Indicators specified in the Description of the Project.

The World Bank Group entity shall enter into a Grant Agreement with the Recipient for the provision of such funds to the Recipient for the purposes set forth in the Administration Agreement. Grant Agreements may be entered into up to the maximum amount of the contributions that all donors including the European Union intend to make available in the Administration Agreement(s). The World Bank Group entity shall provide a copy of the Grant Agreement to the Commission. The World Bank Group entity shall be solely responsible for the administration of such Grant Agreement and shall carry out such administration in accordance with its applicable policies and procedures without prejudice to Section 1.06.

Section 1.04. The World Bank Group entity will be responsible only for performing those functions specifically set forth in the Administration Agreement, in these General Conditions, unless agreed otherwise with the Commission, and in case of a Multi-Donor Trust Fund, of the relevant Resolution or the Standard Provisions or the Terms and Conditions, and will not be subject to any other duties or responsibilities to the Commission, 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 the Administration Agreement, in these General Conditions, and in case of a Multi-Donor Trust Fund, in the relevant Resolution or the Standard Provisions or the Terms and Conditions, will be considered a waiver of any privileges or immunities of the relevant World Bank Group entity under its Articles of Agreement or any applicable law, all of which are expressly reserved.
Section 1.05. The World Bank Group entity shall take measures to prevent irregularities, fraud, corruption or any other illegal activity in the management of the Project in accordance with its policies and procedures.

In accordance with applicable World Bank Group policies and procedures, including those pertaining to protection of confidential information and the integrity of the investigative process, the World Bank Group entity shall keep the Commission informed of the progress of any formal World Bank Group entity investigation concerning the misuse of funds provided under this Administration Agreement and will report to the Commission without delay the conclusions of such findings as well as measures taken to address the fraud and corruption consistent with its policies and procedures on anti-corruption.

In accordance with the World Bank Group's policies and procedures, the World Bank Group entity shall, for BETFs, terminate contracts with Beneficiaries and, for RETFs, terminate the Grant Agreement or the financing to the Recipient for contracts with Beneficiaries, when either the Beneficiaries and/or the Recipient have been found by the World Bank Group entity to have been involved in fraud or corruption in connection with this trust fund financed by the Commission. In such cases, the World Bank Group entity shall apply its applicable policies and procedures in consultation with the donor(s) to recover the ineligible expenditures.

Section 1.06. The World Bank Group entity undertakes to ensure that the principles set forth under Section 1.05, and Articles 4, 5, 6, 10, 14 and 16 of these General Conditions also apply to the Recipient and, where applicable, to Beneficiaries involved. The World Bank Group entity shall indicate to the Recipient in the Grant Agreement the possibility that the Commission may adopt measures vis-à-vis the Recipient, should the latter not reimburse the World Bank Group entity under Section 1.05.

ARTICLE 2

Obligations regarding financial information and narrative reports

Section 2.01. The World Bank Group entity shall provide the Commission with information on the progress and results of the Projects financed under the Contribution. To that end the World Bank Group entity shall prepare narrative progress report(s) and a final report containing information set forth in Section 2.03 and 2.04. The World Bank Group will also provide the Commission with progress and final financial information regarding the Project. The narrative report(s) as well as the financial information shall cover the entire Project described in the Administration Agreement regardless of whether or not the Project is entirely financed by the Commission.

Section 2.02. The World Bank Group entity shall send to the Commission narrative progress report(s) and make available progress financial information in accordance with the provisions below. Every report and information shall include all Project activities for the period covered.

The financial information will be made available via the Bank's Trust Funds Donor Center secure website.

Section 2.03. The narrative progress report(s) shall provide for comparison of the objective(s) of the trust fund, the results expected and obtained and the budget details for the Project. The level of detail in the narrative report(s) should match that of the Description of the Project and of the indicative budget of the Project.
The narrative reports should include:

- Summary and context of the Project;

- Activities carried out during the reporting period (i.e. directly related to the description of the Project and activities foreseen in this Administration Agreement, including information on the measures taken to identify the European Union as source of financing);

- Difficulties encountered and measures taken to overcome challenges;

- Changes introduced in implementation, including changes in the procurement plan pursuant to Section 10.01;

- Achievements/results by using indicators specified in the Description of the Project contained in Annex I;

- Work plan or schedule of Project activities (as described in the Administration Agreement) for the following period. If the report is sent after the end of the period covered by the preceding work plan or schedule, a provisional work plan or schedule shall be submitted before the end of the period covered by the preceding work plan or schedule.

The progress financial information shall provide for a history of contributions received and the expenditures. It shall allow the Commission to assess whether the incurred expenditures generally comply with the Administration Agreement.

Section 2.04. The final narrative report shall contain the above information (excluding the future workplan or schedule of Project activities) covering the entire Project implementation, information on the visibility measures taken to identify the European Union as a/the source of financing, details on the transfers of assets mentioned in Section 7.02 if relevant, and information on the final procurement plan mentioned in Section 10.01. The final financial information shall provide for a history of the contributions received and the expenditures. It shall allow the Commission to assess whether the incurred expenditures generally comply with the Administration Agreement.

Section 2.05. The reports shall be presented in English.

Section 2.06. The narrative progress report(s) shall be submitted at the following intervals:

if payments follow option 1 of Section 15.01 of these General Conditions:

- a narrative progress report shall be forwarded to the Commission on an annual basis following the signature of the Administration Agreement.

- a final report shall be forwarded to the Commission within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement.

if payments follow option 2 of Section 15.01 of these General Conditions:

- a narrative progress report shall accompany each payment request for a further instalment of financing;

- a final report shall be forwarded to the Commission within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement.
Section 2.07. The progress financial information shall be made available pursuant to Section 2.02 following the signature of the Administration Agreement. The final financial information shall be made available pursuant to Section 2.02 within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement without prejudice to the obligations set out in Section 16.06 of these General Conditions.

Section 2.08. The Commission may request clarification on the narrative or financial information providing the reasons for the request. Such information shall be provided as soon as available but no later than forty-five days (45) days of the request.

Section 2.09. In addition to the above mentioned reports, the World Bank Group entity will ensure that other reports, publications, press releases and updates, relevant to the Administration Agreement are communicated to the Commission promptly following their issuance. Other reports may be made available on the Donor Centre secure website.

The Commission may request reasonable additional information on a case by case basis, providing the reasons for the request. Such information shall be supplied within forty-five days (45) days of the request and where applicable, the Commission will be provided the website address for the trust fund.

The World Bank Group entity and the Commission will endeavour to promote close collaboration and exchange of information on the Project.

Section 2.10. The World Bank Group entity shall promptly inform the Commission of any event which, in its opinion, interferes or threatens materially to delay or interfere with the successful implementation of any Project financed by the Contribution.

ARTICLE 3

Liability

Other than for failure to perform its obligations set forth in these General Conditions, in the Administration Agreement, and in the case of a Multi-Donor Trust Fund, in the relevant resolution or the Standard Provisions or the Terms and Conditions, the Commission shall not under any circumstances whatever be liable for damages caused either to or by the World Bank Group entity or third parties, during the performance of the Administration Agreement. No claim can be submitted to the Commission for compensation or for restoration of any such damage or loss. The Commission will not be responsible for the activities of any person or third party engaged by the World Bank Group and/or the Recipient as a result of the Administration Agreement, nor will the Commission be liable for any costs incurred by the World Bank Group and/or the Recipient in terminating the engagement of any such person.

ARTICLE 4

Conflict of interest

The World Bank Group entity undertakes to take necessary precautions to avoid conflicts of interest in accordance with the applicable policies and procedures of the World Bank Group.

ARTICLE 5

Disclosure

The obligations on confidentiality and disclosure of information are included in Article 10 of the Framework Agreement.
ARTICLE 6

Visibility and Transparency

Section 6.01. The measures taken to identify the European Union as a/the source of financing are subject to Article 8 and Attachment 4 of the Framework Agreement and will be specified in the Administration Agreement.

Section 6.02. With due regard to the World Bank Group entity's applicable rules on confidentiality, security and protection of personal data, the obligations on publication of Beneficiaries shall be governed by Article 9 of the Framework Agreement.

ARTICLE 7

Ownership/use of results and equipment

Section 7.01. The relevant World Bank Group entity shall own all rights, title and interest to all industrial and intellectual property rights and materials used for and produced by a Project in relation to this Administration Agreement. However the World Bank Group hereby grants the Commission a non-exclusive right to use free of charge and as it sees fit any of these materials produced by a Project provided said use does not thereby breach existing industrial and intellectual property rights and the World Bank Group entity's policies and Article 5 of these General Conditions.

Section 7.02. Unless otherwise agreed in the Administration Agreement the equipment, vehicles and supplies paid for by the Contribution shall be transferred to Recipients, local authorities or to the final recipients (excluding commercial contractors) of the activities financed by the trust fund by the end of the Project in accordance with World Bank Group policies on asset management. The documentary proof of those transfers shall be kept for verification along with the documents mentioned in Section 16.06.

ARTICLE 8

Participation in Supervision of the Project

Section 8.01. Representatives of the Commission shall be invited to participate in Supervision missions, when applicable, led by the World Bank Group entity relating to the Project financed under the Contribution. The World Bank Group entity shall keep the Commission informed of the findings of such missions and regularly provide the Commission with summaries of any reports resulting from such missions.

Section 8.02. Notwithstanding the Commission's participation in a World Bank Group entity's Supervision mission, the Commission as a donor may wish to carry out Supervision missions independently at its own cost. Supervision missions by representatives of the Commission should be planned and carried out in a collaborative manner between the World Bank Group entity's staff and the Commission's representatives, keeping in mind the commitment of both to coordination and collaboration for the effective and efficient implementation of the Project included in the Administration Agreement. These missions are to be planned ahead with reasonable notice and procedural matters are to be agreed upon by the Commission and by the World Bank Group entity in advance. The mission will make a draft of its report available to the World Bank Group entity for comments prior to final issuance.
ARTICLE 9

Amendment of the Administration Agreement

Section 9.01. Any modification of the Administration Agreement, including the Annexes thereto, shall be in writing in an amendment.

The request for amendment shall be submitted by either the World Bank Group entity or the Commission one (1) month before the amendment is intended to enter into force, unless otherwise agreed by the World Bank Group entity and by the Commission.

Section 9.02. Notwithstanding Section 9.01, changes of address and changes of bank account may simply be notified in writing to the Commission. Changes of bank account must be specified in the request for payment using a financial identification form.

ARTICLE 10

Procurement and Grants

Section 10.01. If parts of the Project are contracted by the World Bank Group, the relevant procurement plan will be specified in the Description of the Project. If it is not specified therein, the World Bank Group entity will present it to the Commission as soon as it is available.

Section 10.02. Unless otherwise agreed by the Parties in writing, the procurement of any goods, works or services and the award of Grants to Beneficiaries by the World Bank Group entity or the Recipient in the context of the Project shall be carried out in accordance with the applicable policies and procedures adopted by the World Bank Group entity, as previously assessed by the Commission.

The administration and enforcement of all provisions entered into between the World Bank Group entity and a third party that is financed by the trust fund shall be the responsibility solely of the World Bank Group entity and shall be carried out in accordance with its applicable procedures, except as otherwise specified in this Article 10 and Section 1.06.

Without prejudice to the specific procedures and exceptions applied by the World Bank Group entity, the award of Grants to Beneficiaries shall apply the following principles:

- No single Beneficiary may receive more than one Grant financed by the European Union for the same activity. For additional activities, a Beneficiary may receive supplemental Grants;

- Grants may only cover costs incurred after the date on which the Grant contract with the Beneficiary enters into force;

- No portion of any Grant shall be used to provide a direct profit out of the proceeds of the Grant to the Grant Beneficiary unless the objective of the Grant is to reinforce the financial capacity of the Beneficiary; and

- Grants may not as a rule finance the entire cost of the activities carried out by the Beneficiary.

Section 10.03. The origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Project shall be determined in accordance with the World Bank Group entity's relevant rules. The World Bank Group entity's policies and procedures on procurement and Grants to Beneficiaries are untied.
Section 10.04. The World Bank Group entity shall take into consideration as provided for under the World Bank Group's policies and procedures the following or similar situations as factors for determining qualification or eligibility of:

- Beneficiaries that are bankrupt or being wound up, are having their affairs administered by the courts, have entered into arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;

- Beneficiaries that have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;

- Beneficiaries that have been the subject of a judgment which has the force of res judicata for fraud, corruption involvement in a criminal organisation or any other illegal activity;

- Beneficiaries that are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or fail to supply this information;

- Beneficiaries that are subject to a conflict of interest.

Section 10.05. The World Bank Group entity may be given access whatever its medium (written on paper or stored in electronic form) to the central exclusion database set up and operated by the Commission (the "Central Exclusion Database"). The foregoing shall be applied in accordance with the provisions that may be provided for in Attachment 5 of the Framework Agreement including any condition under which the World Bank Group would communicate to the Commission any judgment rendered after 1 January 2009 which has the force of res judicata for fraud, corruption, involvement in a criminal organization or any other illegal activity against a Beneficiary receiving funds from a trust fund financed by the European Union.

ARTICLE 11

Suspension of the Administration Agreement

Section 11.01. The World Bank Group entity may suspend implementation of all or part of the Project in accordance with its policies and procedures including when circumstances make it too difficult or dangerous to continue. It shall inform the Commission without delay and provide all the necessary details should a project be suspended. The Administration Agreement may be terminated in accordance with Section 12.01. If the Administration Agreement is not terminated, the World Bank Group entity shall endeavour to minimise the duration of the suspension and may resume implementation of the Project once the conditions allow, and shall inform the Commission accordingly.

Section 11.02. Upon removal of the suspension, the implementation period of the Administration Agreement shall be automatically extended by an amount of time equivalent to the duration of the suspension. This is without prejudice to any amendments to the Administration Agreement which may be necessary to adapt the Project to the new implementing conditions.

ARTICLE 12

Termination of the Administration Agreement

Section 12.01. If, at any time, either party believes that the purposes of the Administration Agreement can no longer be effectively or appropriately carried out, it shall consult the other party. The Administration Agreement may be terminated at the initiative of either party by
giving the other party three (3) months' prior written notice to cancel all or part of the Commission’s pro rata share of any remaining balance of the Contribution funds that is not committed pursuant to any agreements entered into between the World Bank Group entity and any consultants and/or other third parties for the purposes of the Administration Agreement prior to the receipt of such notice, including the Grant Agreement[s].

The World Bank Group entity shall return such cancelled balance to the Commission including any investment income in accordance with Article 18.

Section 12.02. Where the World Bank Group entity:

- fails, without justification, to fulfil any of the obligations set out in Sections 1.02 and 1.03 incumbent on it, including the presentation of a final narrative report and/or making available final financial information within the deadlines laid down in Sections 2.06 and 2.07, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within thirty (30) days of sending of the letter; and, in case of narrative progress reports, after failing to provide, together with a satisfactory explanation, a summary of the state of the progress of the Project;

- fails to comply with Section 1.05 or Article 4;

- provides false reports or makes false or incomplete statements to obtain the Contribution provided for in the Administration Agreement;

- commits financial irregularities or is guilty of grave professional misconduct;

- undergoes legal, financial, technical or organisational change that is likely to substantially affect negatively the Administration Agreement or to call into question the decision by which a direct financial contribution is awarded to the World Bank Group by the Commission following a Call for proposals;

After prior consultation with the World Bank Group entity the Commission may terminate the Administration Agreement. In that event the Commission may request full or partial repayment of any amounts that should have not been considered eligible, after allowing the World Bank Group entity to submit its observations.

Section 12.03. Prior to or instead of terminating the Administration Agreement as provided for in Section 12.02, the Commission may suspend payments or (exceptionally) the eligibility of expenses as a precautionary measure, informing the World Bank Group entity immediately.

Section 12.04 This Administration Agreement shall be automatically terminated if no payment has been made by the Commission within three (3) years of its signature.

ARTICLE 13

Dispute resolution

Section 13.01. The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of the Administration Agreement, including its existence, validity or termination. In default of amicable settlement, any party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States in force at the date of the Administration Agreement.
Section 13.02. The language to be used in the arbitral proceedings shall be English. The appointing authority shall be the Secretary General of the Permanent Court of Arbitration following a written request submitted by any party. The Arbitrator's decision shall be binding on all parties to the arbitral proceedings and there shall be no appeal.

Section 13.03. Nothing in the Administration Agreement shall be interpreted as a waiver of any privileges or immunities accorded to any party hereto by its constituent documents or international law.

FINANCIAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 14

Eligible costs

Section 14.01. To be considered eligible as Direct Costs under the Administration Agreement costs must:

- be necessary for carrying out the activities financed by the trust fund, fall within the scope of the Administration Agreement, and comply with the principles of sound financial management, in particular value for money and cost effectiveness;

- have actually been incurred after the date specified in Section 2.02 of the Administration Agreement and before the End Disbursement Date specified in Section 2.03 of the Administration Agreement;

- be recorded in the World Bank Group or Recipient's accounts, be identifiable, backed by originals of supporting evidence and verifiable pursuant to the provisions on the verification provision set out in Section 16.07.

Section 14.02. Subject to the above and without prejudice to Section 14.04, the following Direct Costs related to the activities of the trust fund of the World Bank Group entity, or its Recipient may be eligible provided they are consistent with the World Bank Group entity's policies:

- the cost of staff, including those at headquarters, assigned to the activities funded by the trust fund, corresponding to salaries and other benefits costs;

- travel and subsistence costs for staff and consultants;

- cost of purchase or lease for goods and services (including consultant services, transport, storage and distributing, lease of equipment, etc.);

- costs directly arising out of, or related to, distributing consumables, supplies and communications;

- expenditure on contracting (including works);

- the proportion of field office costs that corresponds to the amount of activity directly attributable to the activities financed by the trust fund or to the proportion of the amount deposited by the European Union;

- media workshops, conferences, meetings and other costs including dissemination of information, translation, reproduction, publication;
- training;
- Supervision/project management activities, project preparation activities, and specific reporting for the needs of the Commission;
- financial service costs (in particular bank fees for transfers) and insurance;
- costs related to carrying out visibility activities.

**Section 14.03.** The following costs of the World Bank Group entity or its Recipient shall not be considered eligible:

- expenditures and provisions for possible future losses or debts;
- interest owed to any third party;
- items already financed from other sources;
- purchases of land or buildings;
- currency exchange losses;
- taxes, duties and charges (unless the World Bank Group entity or the Recipient is not able to reclaim them and if allowed by the applicable regulatory provisions of the European Union).

**Section 14.04.** In order to assist in the defrayment of the costs of administration and other expenses incurred by the World Bank Group entity in administering the trust funds provided to it hereunder, a fixed percentage of Direct Costs, not exceeding 7%, may be deducted from each Contribution and retained as Indirect Costs by the World Bank Group entity. The 7% includes any set up fee that the World Bank governing bodies' decision may establish. Indirect Costs are eligible provided that they do not include Direct Costs specifically charged including preparation and supervision costs.

Where the administrative costs charged by the World Bank Group exceed 7%, the World Bank Group entity may recover the balance as Direct Costs, subject to meeting the requirements governing direct eligible costs referred to in Section 14.01. Indirect Costs shall not be eligible where the Administration Agreement concerns the financing of a Project where the World Bank Group entity is already receiving funding for its functioning from the European Union during the same period in question.

**ARTICLE 15**

**Payments**

**Section 15.01.** Payment schedule is set out in Article 4 of the Administration Agreement and follow one of the options below.

- Option 1 will be applicable in case of Single Donor Trust Funds or Multi-Donor Trust Funds where the trust fund has an anticipated duration of one year or less:

An advance payment, representing 100% of the total Contribution referred to in Section 3.02 of the Administration Agreement shall be payable by the Commission within forty-five (45) days following receipt of the Administration Agreement signed by both Parties
and receipt by the Commission of a payment request conforming to the model agreed between the Parties.

- **Option 2** will be applicable in case of Single Donor Trust Funds or Multi-Donor Trust Funds where the trust fund has an anticipated duration of more than one year:

An advance payment representing 50% of the total Contribution referred to in Section 3.02 of the Administration Agreement shall be payable within forty-five (45) days following receipt of the Administration Agreement signed by both Parties and receipt by the Commission of a payment request conforming to the model agreed between the Parties.

One or several intermediate payments representing X% of the total Contribution referred to in Section 3.02 of the Administration Agreement and specified in Section 4.01 of the Administration Agreement, shall be payable within forty-five (45) days of approving the narrative progress report and the financial information provided the payment request is accompanied by written confirmation that 50% of the total funds received to-date by the trust fund have been subject to a Commitment.

A final payment representing 100-(50 + X)% of the total Contribution referred to in Section 3.02 of the Administration Agreement and specified in Section 4.01 of the Administration Agreement, shall be payable within forty-five (45) days following receipt by the Commission of a payment request accompanied by written confirmation that (50 +X)% of the total funds received to-date by the trust fund have been subject to a Commitment.

**Section 15.02.** Narrative progress reports and the up to date financial information shall be deemed approved if the Commission has not reacted within forty-five (45) days of receiving the narrative progress report. If the Commission does not intend to approve a narrative report and/or financial information, as submitted or made available, it shall revert to the World Bank Group entity specifying the additional information it requires in accordance with Section 2.08. The deadline for approving the narrative report and financial information shall be suspended pending the receipt of the requested information.

If the Commission deems that a payment request cannot be met, it shall revert to the World Bank Group entity with a request specifying the additional information it requires within the forty-five (45)-day payment period. The payment period shall be suspended pending the payment request being made available in accordance with Section 15.01.

Approval of a report does not imply recognition of the regularity, authenticity, completeness and correctness of the declarations and information contained therein.

**Section 15.03.** All payments shall be made in Euro, into such bank account designated by the World Bank Group entity in its request for payment pursuant to Section 9.02. When making deposits pursuant to this Section 15.03, the Commission will instruct the bank with which the deposit is made to include in its payment details information (remittance advice) field of its SWIFT payment message information indicating the amount and date of the deposit, the name and World Bank reference number of the trust fund for which the deposit is made (as set forth in the Administration Agreement), the Commission internal reference number (as set forth in the Administration Agreement), name of the project for which the funds are intended, name of the Commission’s department responsible for the trust fund, date of the Administration Agreement or amendment. The Commission will also send a copy of its instruction to the IBRD’s Trust Funds Division via e-mail using address “TFremitadvice@worldbank.org or via fax utilizing fax number 1-202-614-1315.
Section 15.04. In case of Single Donor Trust Funds except as the Commission and the World Bank Group entity may otherwise agree and subject to Section 15.06, any funds so deposited by the Commission shall be maintained in Euro. In case of Multi-Donor Trust Funds, in the event that holding currency of the Multi-Donor Trust Fund is not Euro, the World Bank Group entity, shall convert the funds into the holding currency of the trust fund promptly following receipt of the funds, provided that all the necessary documentation has been received, at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Section 7.02 of the Administration Agreement. In all cases, where the Contribution proves to be insufficient to complete the Project as a result of an exchange rate fluctuation, the Commission will not bear any responsibility for additional financing.

Section 15.05. The funds deposited pursuant to Section 15.04 above may be commingled with other trust fund assets administered by any World Bank Group entity, provided they may still be identified as such in the records of the World Bank Group entity but shall be kept separate and apart from the funds of each of the World Bank Group entities.

Section 15.06. The World Bank Group entity may exchange any funds held hereunder for other currencies in order to facilitate their administration and disbursement at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Section 7.02 of the Administration Agreement.

Section 15.07. IBRD shall, on behalf of the World Bank Group entity, invest and reinvest the funds provided by the European Union hereunder pending their disbursement, in accordance with IBRD’s policies and procedures for the investment of trust funds. For Multi Donor Trust Funds and/or Joint Management, IBRD shall credit all income earned on funds received from the Commission from such investment to the trust fund established under this Administration Agreement to be used for the same purposes as the Contribution funds. For Contributions which are not Multi-Donor Trust Funds and/or Joint Management, investment income earned on funds received from the Commission shall be identified as such, and IBRD shall credit such income to the Commission’s Donor Balance Account to be reimbursed to the Commission annually upon receipt by IBRD of banking details and authorized instructions from the Commission. Such refund request shall be sent to the attention of the Division Manager, Trust Fund Division, Accounting Department of the World Bank.

ARTICLE 16

Financial audits and checks

Section 16.01. The World Bank Group shall maintain separate records and ledger accounts in respect of the Contributions deposited by the Commission in the trust fund account and disbursements made therefrom. Separate records and ledger accounts shall be kept for each trust fund.

Section 16.02. The World Bank Group shall provide to the Commission, within six (6) months following the end of each World Bank Group fiscal year, the annual single audit, comprising (1) a management assertion together with an attestation from the World Bank Group’s external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the external auditor’s opinion thereon. The cost of the single audit shall be borne by the World Bank Group.
Section 16.03. For Exceptionally large trust funds where a financial statement audit is deemed appropriate and necessary, the World Bank will include provisions in the Administration Agreement for the financial statements of the trust fund to be audited (either annually, periodically, or at the completion of the trust fund as agreed with the donor(s)), by the World Bank's external auditors in addition to the Single Audit Report. The costs with respect to such audits will be paid by the trust fund. These audited financial statements will be submitted to the Commission.

Section 16.04. If the Commission wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of a trust fund established under an Administration Agreement, the Commission and the Bank will first consult one another as to whether such an external audit is necessary. Following consultation, if the Commission wishes to proceed with the external audit, the Bank will arrange for such an audit. The cost of any such audit, including the Bank’s internal costs related to such an audit, will be paid by the Commission.

Section 16.05. The Bank will provide the Commission with copies of all financial statements and auditors’ reports received by the Bank from the Recipients pursuant to the Grant Agreements.

Section 16.06. The World Bank Group entity shall, until at least seven years after the End Disbursement Date of the Administration Agreement:

(i) keep financial and accounting documents concerning the activities financed by the European Union hereunder; and

(ii) make available to the competent bodies of the European Union upon request, all relevant financial information, including statements of accounts concerning the project or activity financed by the European Union hereunder (whether executed by such World Bank Group entity or by its subcontractor).

Section 16.07. In conformity with the European Union financial regulations, the European Union may undertake, including on-the-spot, checks related to the Projects and activities financed by the trust fund.

Section 16.08. The foregoing shall be applied in accordance with the verification provisions provided for in Attachment 3 of the Framework Agreement.

ARTICLE 17

Final amount of the Contribution by the Commission

Section 17.01. The total amount to be paid by the Commission to the World Bank Group entity may not exceed the maximum Contribution established by Section 3.02 of the Administration Agreement, even if the overall actual expenditure exceeds the estimated total budget set out in Section 3.01 of the Administration Agreement unless amended in accordance with Section 9.01.

Section 17.02. The World Bank Group entity accepts that the Contribution amount shall be limited to the amount required to balance income and expenditure for the Project and that it may not in any circumstances result in a surplus for the World Bank Group entity.

Section 17.03. In cases where the Project is not completed by the End Disbursement Date specified in Section 2.03 of the Administration Agreement, the funds that remain unexpended after all Commitments incurred have been satisfied, including investment income will be reimbursed to the relevant Balance Account.
Section 17.04. Where the Project is not carried out according to the Administration Agreement and without prejudice to its right to terminate the Administration Agreement pursuant to Section 12.02, the Commission may, after allowing the World Bank Group entity to submit its observations and without prejudice to Article 13, adjust its Contribution pro rata to the actual implementation of the Project on the terms laid down in the Administration Agreement giving three (3) months' prior written notice.

ARTICLE 18

Recovery

Section 18.01. Upon the completion or termination of the Project for which the European Union has provided funding hereunder, the World Bank Group entity, will refund to the Commission within forty-five (45) days of receiving a written request from the latter any amounts paid in excess of the final amount due for such project (including any investment income not previously reimbursed to the Commission or to the Balance Account).

Such refund request with banking details and authorized instruction from the Commission shall be sent to the attention of the Division Manager, Trust Fund Division, Accounting Department of the World Bank. Any refund to the Commission will be done in Euro, unless the Parties agree otherwise, at the exchange rate applicable to the World Bank Group on the date of the conversion unless the Parties agree to another exchange rate in Section 7.02 of the Administration Agreement. In the event the funds are received by the Commission before such refund request is sent, the Commission will issue a refund request acknowledging their receipt.

Section 18.02. If the World Bank Group entity fails to repay by the due date, the sum due shall bear interest in accordance with the rules of the Commission. In case of Contributions which are Multi-Donor Trust Funds and/or Joint Management the accrued investment income may be taken into account.

Section 18.03. Amounts to be repaid to the Commission may be offset against amounts of any kind due to the World Bank Group entity or the Recipient, after consulting it accordingly. This shall not affect the Parties' option to agree on payment in instalments.

Section 18.04. Bank charges incurred by the repayment of amounts due to the Commission shall be borne entirely by the World Bank Group entity.
ANNEX III

Standard Provisions Applicable to the Trust Fund

1. General

1.1 The following terms and conditions shall govern all arrangements entered into between the Bank as Trustee of the Trust Fund, on the one hand, and donors and donor agencies (herein referred to collectively or individually as the "Donors"), on the other, that provide contributions in the form of grants to the Trust Fund.

2. Definitions

2.1 Unless the context otherwise requires, the several terms defined in this Administration Agreement have the respective meanings therein set forth, and the following additional terms and expressions have the following meanings:

(a) "Bank-Executed Activities" means Activities executed or to be executed by the Bank under the Trust Fund;

(b) "Contribution" means any contribution to the Trust Fund made by a Donor pursuant to an agreement between the Bank acting as Trustee and the Donor;

(c) "Donor" means any entity which has made a Contribution to the Trust Fund;

(d) "Grant" means a grant made or proposed to be made to a Recipient out of the resources of the Trust Fund to support Activities under the Trust Fund, and to be administered by the Bank;

(e) "Grant Agreement" means an agreement entered or proposed to be entered into between the Bank and a Recipient governing a Grant;

(f) "Recipient" means the Republic of Indonesia or any agency of the Republic of Indonesia, or other entity, for the benefit of which a Grant has been, or is proposed to be, made;

(g) "Recipient-Executed Activities" means Activities executed or to be executed by a Recipient under the Trust Fund;

(h) "Trustee" means the Bank acting as Trustee of the Trust Fund.

3. Purposes and Description of Activities; Eligible Categories of Expenditure

3.1 The purpose of Phase II of the Trust Fund is to provide continued support to the Republic of Indonesia in its public financial management reform agenda as reflected in the Medium Term Strategy Note approved by the Policy and Advisory Committee (PAC) of the Trust Fund in 2012.

3.2 The objective of the Program is to improve efficiency, governance, integrity, and transparency of Indonesia’s public financial management.
3.3 The Trust Fund is intended to finance a program of activities to be executed by both the Republic of Indonesia (including, but not limited to, the central government, local governments and non-government institutions,) and the World Bank as set forth in Annex I of this Administration Agreement.

3.4. The Contribution will be used exclusively for the financing of the following categories:

(a) **Recipient-Executed Activities**: consultant services; goods; training and workshops; and incremental operating costs; and

(b) **Bank-Executed Activities**: short- and extended-term consultants’ services, contractual services, and associated overheads; temporary staff costs and staff costs (salaries, benefits and indirect costs); travel expenses; and media, workshops, conference and meeting costs.

4. **Administration of the Contribution**

4.1. The Bank will be responsible only for performing those functions specifically set forth in this Administration Agreement and will not be subject to any other duties or responsibilities to the Donor, 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 Administration Agreement will be considered a waiver of any privileges or immunities of the Bank and International Development Association (IDA) under their Articles of Agreement or any applicable law, all of which are expressly reserved.

5. **Commingling, Exchange and Investment of the Contribution**

5.1. The Contribution funds may be commingled with other trust fund assets maintained by the Bank, but will be kept separate and apart from the funds of Bank.

5.2. The Contribution funds may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

5.3. The Bank will invest and reinvest the Contribution funds 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 established under this Administration Agreement to be used for the same purposes as the Contribution funds.

6. **Administrative Cost Recovery**

6.1. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Administration Agreement, the Bank shall, following deposit of the Contribution by the Donor, deduct from the Contribution and retain for the Bank’s own account an amount equal to 2% of the Contribution. In addition, the Bank may charge the managing unit’s actual costs to administer the Trust Fund, up to a maximum equal to 3.94% of the Contribution.

7. **Governance Structure**

7.1 In addition to the role of the Bank as Trustee, the governance structure of the Trust Fund shall also include a Policy Advisory Committee and a Management Committee, as well as a Secretariat, whose respective functions shall be as follows:
(a) **The Policy Advisory Committee** ("PAC"), to be chaired by the Minister of Finance or his designate, and consisting of representatives of the Recipient, the Trustee and Donors, as well as representatives of the business community, will be responsible for: (i) reviewing, endorsing and commenting on the Republic of Indonesia’s priorities as laid out in the annual Strategy Note; (ii) providing strategic guidance and ensuring coherence between the Trust Fund and the Strategy Note; (iii) reviewing the progress and achievements of the Trust Fund in support of the Republic of Indonesia’s policies and priorities; and (iv) promoting donor coordination and coherence in the areas included in the Program. The PAC will meet once a year or more if needed to conduct its business.

(b) **The Management Committee** ("MC"), to be chaired by the Secretary General of the Ministry of Finance or his designate (Chair of MC), and consisting of the relevant staff of the Trustee and Donors. The MC will be responsible for: (i) reviewing and endorsing financing proposals under the Trust Fund, in line with the medium term Strategy Note and annual plans, to the extent that they are consistent with the objectives of the Trust Fund and satisfy the relevant selection criteria; (ii) supervising the implementation of and evaluating Trust Fund activities and achievements; (iii) identifying and resolving implementation issues; and (iv) providing suggestions on visibility and other actions related to the administration of the Trust Fund. The MC will meet twice a year or as often as necessary to conduct its business, as decided by its members. The Chair of MC will be assisted by the Trustee in preparing and facilitating the MC meeting, which shall include sending out invitations, including by emails, and the agenda of the MC meeting. The MC meeting will be attended by relevant technical staff of the Republic of Indonesia, Donors and the Trustee. In exceptional circumstances which shall be determined by the Management Committee, meetings can be held virtually, through exchange of emails between the Trustee and the representative of the Ministry of Finance and the representative of each of the Donors, and decisions will be recorded in the relevant minutes. In any event, there will be two meetings of the Management Committee each year which will be attended in person. Decisions shall be made by consensus, regardless of whether the meeting is attended in person or held virtually (in the latter case, by exchange of emails as detailed above). The MC will be supported by a secretariat (defined immediately below).

(c) **The Secretariat** to be headed by a representative of the Trustee, and consisting of the relevant technical staff of the Trustee, will be responsible for: (i) receiving and providing guidance on financing proposals, and screening them for quality control; and (ii) making recommendations to the MC on whether to endorse or reject them, keep them on hold or return them to their sponsors for revisions. The Secretariat will provide administrative support to the PAC and MC in the management of the Trust Fund, and the organization and conduct of meetings.

7.2 Proposals to be funded under this Trust fund: (i) shall be submitted to the Management Committee following the template provided as Table 1 below and (ii) shall be considered by the Management Committee provided that:

- (a) they have been endorsed in writing by the Republic of Indonesia;
- (b) in the case of proposals for recipient executed activities, they include a proposed description of the implementation arrangements to be put in place by the proposing recipient;
- (c) they are prepared and planned to be implemented in compliance with the Trustee’s policies and procedures;
(d) if the nature of the activities under the proposal is such that said activities are better suited for implementation by an entity other than the Trustee, they can be proposed to be implemented by the Trustee only under exceptional circumstances, and if allowed under the Trustee's policies and procedures;

(e) they are aligned with the priorities set forth in the Medium Term Strategy Note approved by the Policy Advisory Committee on August 2, 2012 (as said Medium Term Strategy Note may be amended, as needed, by the Policy Advisory Committee); and

(f) they are jointly presented to the Management Committee by the Secretariat and a representative of the Republic of Indonesia.

Table 1: Draft Summary Proposal Form

<table>
<thead>
<tr>
<th>PROPOSAL [CTF#] (Bank/RETF Executed)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Title of Proposal:</strong></td>
</tr>
<tr>
<td><strong>Task Manager:</strong></td>
</tr>
<tr>
<td><strong>Objectives (designated goals/outcomes):</strong></td>
</tr>
<tr>
<td><strong>Link with the Medium Term Strategy Note approved by the Policy Advisory Committee, Country Partnership Strategy, and Component Objectives:</strong></td>
</tr>
<tr>
<td><strong>Expected Results (Outputs):</strong></td>
</tr>
<tr>
<td><strong>Description of Proposed Additional Activities:</strong></td>
</tr>
<tr>
<td><strong>Monitoring Arrangements and Indicators for Outcomes:</strong></td>
</tr>
<tr>
<td><strong>Name(s) of Authorized Representative(s) of the Indonesian Organization that Endorsed Proposal:</strong></td>
</tr>
<tr>
<td><strong>Estimated Costs:</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Cost Breakdown of Proposed Additional Funding in USD for BETF:</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Consultant Fees</td>
</tr>
<tr>
<td>b) Contractual Services</td>
</tr>
<tr>
<td>c) Associated Overheads</td>
</tr>
<tr>
<td>d) Staff Costs</td>
</tr>
<tr>
<td>e) Travel Expenses</td>
</tr>
<tr>
<td>f) Media, workshops, conference and meeting costs</td>
</tr>
</tbody>
</table>

1 Designated goals (outcomes) are generally multi-year, and the implementing organization usually has a direct (though not complete) influence over them. Designated goals can help to achieve sectoral, national or international targets.

2 Results must be achieved before the activity is completed and their attainment must lie within the capability of the implementing organization. Results are linked to the reaching of the designated goals.

3 Activities are tasks that must be implemented to achieve the results described above. Describe the activities in terms of the nature (e.g., implementing them) in relation to the results.
Total Cost Breakdown of Proposed Additional Funding in USD for RETF

a) Consultants' Services
b) Goods
c) Training and Workshops
d) Incremental Operating Costs

Other Financing:

Other Specific Approvals, if required:

Disbursement Schedule for proposed Additional Funding(in USD):

<table>
<thead>
<tr>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
</table>

Decision of Management Committee:

<table>
<thead>
<tr>
<th>Approve</th>
<th>Reject</th>
<th>Hold</th>
</tr>
</thead>
</table>

Comments of Management Committee:

Name & Signature of Authorized Representative of the Republic of Indonesia that Endorsed Proposal:

[XXX]
Secretary General, Ministry of Finance

8. Use of the Resources of the Trust Fund

8.1. The resources of the Trust Fund shall be applied in accordance with the objectives of the Trust Fund to provide financing to support eligible activities under the Trust Fund, whether in the form of Grants to Recipients to support Recipient-Executed Activities or by way of internal transfers of resources to support Bank-Executed Activities.

8.2. In the case of Recipient-Executed Activities, the Bank will, as administrator on behalf of the Donor, enter into one or more Grant Agreements with Recipients for the provision of any part of the Contribution funds for the purposes of this Administration Agreement, and on the terms and conditions set forth in the respective Grant Agreement. The Bank will furnish a copy of each Grant Agreement to the Donor.

8.3. The Bank will be solely responsible for the supervision of activities under each Grant Agreement.


9.1. In the case of Bank-Executed Activities, the employment and supervision of consultants and the procurement of goods financed by the Contribution will be the responsibility solely of the Bank and will be carried out in accordance with its applicable policies and procedures. In the case of Recipient-Executed Activities, the relevant Grant Agreement will provide that the Contribution will be used by the Recipient to finance expenditures for goods and services, as the case may be.
in accordance with the Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the Bank’s Guidelines on the “Selection and Employment of Consultants by World Bank Borrowers,” as in effect on the date of the Grant Agreement.

10. **Authority to Deny Funding**

10.1. The Bank, as Trustee, has a duty to ensure that Contribution funds are actually applied for the purposes for which they are intended.

10.2. Where, in the Bank’s view, there is reasonable doubt as to whether the proceeds of any proposed financing will be effectively utilized for its intended purposes, the Bank will have the authority to deny funding to the corresponding financing proposal.

11. **Accounting and Financial Reporting**

11.1. The Bank will maintain separate records and ledger accounts in respect of the Contribution funds deposited in the trust fund account and disbursements made therefrom.

11.2. The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the Holding Currency 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 with respect to the Contributions shall be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.

11.3. The Bank shall provide to the Donors via the World Bank’s Trust Fund Donor Center secure website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising: (i) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financing reporting for all cash-based trust funds as a whole; and (ii) 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.

11.4. If the 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 most 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 borne by the requesting Donor.

11.5. The Bank shall make available to the Donors copies of all financial statements and auditors’ reports received by the Bank from Recipients pursuant to any Grant Agreements (as defined below) in accordance with the Bank’s Access to Information Policy.

12. **Coordination and Reporting**

12.1. The Bank, as Trustee, shall provide the Donor with semi-annual reports on the progress of Activities financed by the Contribution. Within six (6) months of the final disbursement date specified in paragraph 13.1 of this Annex, the Trustee shall furnish to the Donor a final report on the activities supported under the Trust Fund.
12.2. The Bank will promptly inform the Donor of any significant modification to the terms of any Grant Agreement and of any contractual remedy that is exercised by the Bank under the Grant Agreement. To the extent practicable, the Bank will afford the Donor the opportunity to exchange views before effecting any such modification or exercising any such remedy.

13. Disbursement Deadline; Cancellation; Refund

13.1. It is expected that the Contribution funds will be fully disbursed by the Bank in accordance with the provisions of this Administration Agreement by August 31, 2018. The Bank will only disburse Contribution funds for the purposes of this Administration Agreement after such date with the written approval of the Donor.

13.2. Either party may, upon giving three (3) months’ prior notice in writing to the other, cancel all or part of any remaining balance of the Contribution funds that is not committed pursuant to the Grant Agreement or any other agreement entered into between the Bank and any consultants and/or other third parties for the purposes of this Administration Agreement prior to the receipt of such notice.

13.3 Upon the final disbursement date specified in paragraph 13.1, or upon the date of cancellation of uncommitted Contribution funds in accordance with paragraph 13.2, as the case may be, the Bank shall return any remaining funds to the Donor, or otherwise dispose of such funds in accordance with the Donor’s instructions.

13.4. Where there is more than one Donor contributing to the Trust Fund, any reference in this Section to the balance of uncommitted Contribution funds outstanding in the Trust Fund account and to be returned to the Donor, or otherwise disposed of, shall be construed as a reference to each Donor’s pro-rata share of the outstanding balance (defined as the ratio of the Donor’s paid-in Contribution to the total paid-in Contributions of all Donors) of any uncommitted funds remaining in the Trust Fund, including any applicable investment income.

14. Commencement; Donor Visibility; Disclosure

14.1 The Trust Fund will commence its operations as of the date of deposit of the first Contribution by any Donor to the Trust Fund.

14.2. The Bank, in consultation with the appropriate Indonesian authorities, will promote visibility of achievements of the Trust Fund and Donors on information materials pertaining to the Activities, at the sites of the Activities, and through specific dissemination events, such as press conferences and an annual conference.

14.3. The Trustee may disclose this Administration Agreement and information on this Trust Fund in accordance with the Bank’s policy on disclosure of information.
ANNEX IV

INDICATIVE BUDGET FOR THE PROJECT

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>0</td>
<td>6,570,200</td>
<td>2,628,080</td>
<td>2,628,080</td>
<td>1,314,040</td>
<td>13,140,400</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>0</td>
<td>1,500,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>500,000</td>
<td>4,500,000</td>
<td></td>
</tr>
<tr>
<td>CIDA</td>
<td>2,933,124</td>
<td>1,801,915</td>
<td>3,628,080</td>
<td>1,000,000</td>
<td>1,814,040</td>
<td>4,735,049</td>
<td></td>
</tr>
<tr>
<td><strong>Total (USD)</strong></td>
<td>2,933,124</td>
<td>9,872,115</td>
<td>3,628,080</td>
<td>1,000,000</td>
<td>3,128,080</td>
<td>22,375,439</td>
<td></td>
</tr>
</tbody>
</table>

The above table states all amounts in United States Dollars to facilitate the aggregation of those amounts. Each Donor will, however, contribute the amounts in accordance to the provisions of the Administrative Agreement signed with each Donor.

**Indicative Budget of the Operation – Disbursement Forecast 2014 - 2018**

**Indicative Allocation for Expenditure Categories under the Trust Fund**

*Allocation for Expenditure Categories under BTEFs*

*Total Allocation: USD 17,989,853*

<table>
<thead>
<tr>
<th>BETF</th>
<th>EUR</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant Fees</td>
<td>5,521,434</td>
<td>7,637,937</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>286,597</td>
<td>396,457</td>
</tr>
<tr>
<td>Associated Overheads</td>
<td>119,215</td>
<td>164,898</td>
</tr>
<tr>
<td>Staff Costs</td>
<td>4,650,229</td>
<td>6,432,778</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>1,784,258</td>
<td>2,468,208</td>
</tr>
<tr>
<td>Media, Workshops, Conference and Meeting Costs</td>
<td>319,569</td>
<td>442,067</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td>12,681,301</td>
<td>17,542,344</td>
</tr>
<tr>
<td>Administrative Fee (2%)</td>
<td>323,502</td>
<td>447,509</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>13,004,804</td>
<td>17,989,853</td>
</tr>
</tbody>
</table>
Indicative Allocation for Expenditure Categories under RETF

*Total Allocation: 4,385,586*

<table>
<thead>
<tr>
<th>RETF</th>
<th>EUR</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultant Services</td>
<td>1,776,951</td>
<td>2,458,121</td>
</tr>
<tr>
<td>Goods</td>
<td>60,236</td>
<td>83,326</td>
</tr>
<tr>
<td>Training and Workshops</td>
<td>1,305,845</td>
<td>1,806,423</td>
</tr>
<tr>
<td>Incremental Operating Costs</td>
<td>27,265</td>
<td>37,716</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,170,296</td>
<td>4,385,586</td>
</tr>
</tbody>
</table>

**DONORS PLEDGE CONTRIBUTIONS**

for the 2014-2018 implementation period

<p>| | | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>European Union</td>
<td>9,500,000 EUR</td>
<td>11,343,606</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4,500,000 USD</td>
<td>5,499,151</td>
</tr>
<tr>
<td>Canadian DFTAD</td>
<td>5,000,000 CAD</td>
<td>6,315,796</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>22,375,439 USD</td>
<td>23,158,553</td>
</tr>
</tbody>
</table>
ANNEX V
INDICATIVE INDICATORS

1. This Annex consists of a list of indicative indicators that the Donor and IBRD agree will be utilized by IBRD to assess the progress achieved by the government of the Republic of Indonesia in its public financial management reform agenda, and which shall be referred to by IBRD in the narrative reports referred in Article 2 of the General Conditions and Section 4.02 of this Administration Agreement. As stated in paragraph 3 of Annex III (Description of the Project) to this Administration Agreement, the Trust Fund is intended to finance a program of activities to be executed both by the Republic of Indonesia and by IBRD. The activities to be carried out by IBRD are limited to the provision of technical assistance in the form of advice, studies, policy notes, workshops and dissemination and training events. It is agreed by the Donor that the indicators are indicative only in nature and subject to change including for reasons beyond IBRD's control and responsibility such as, but not limited to, a concrete policy or managerial action or decision by the government of the Republic of Indonesia which is outside the control and responsibility of IBRD.

2. On the basis of the above, it is expressly understood and agreed by the Donor that: (i) IBRD is only responsible for the delivery of the technical assistance outputs agreed by the Management Committee (such as studies, policy notes, general technical advice, workshops and dissemination and training events) which shall be carried out and delivered by IBRD in accordance with IBRD's technical standards and practice, (ii) the indicators are indicative only in nature and subject to change including for reasons beyond IBRD's control and responsibility, (iii) IBRD shall not be held liable for any progress on the indicators listed below or lack thereof (including, but not limited to, any progress or lack thereof achieved by the government of the Republic of Indonesia (including all its branches of government, agencies, etc) on the indicators listed below), and (iv) the indicators listed below are only to be used for reporting purposes as per Article 2 of the General Conditions and Section 4.02 of this Administration Agreement and shall not be taken into account in calculating the amount of any payment under this Administration Agreement.

PFM MDTF II Results Indicators 2014-2018

<table>
<thead>
<tr>
<th>Components</th>
<th>Results Indicators</th>
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</table>
| I. Better oversight of PFM\(^4\) reform processes, leading to an adequate sequencing and coordination of reform activities. | • Joint roadmap agreed between Bappenas and MOF\(^5\) for budget planning and execution reforms.  
• Updated MTSN\(^6\) and Annual Briefs, within the overall transformation framework to detail implementation priorities and monitor progress, with periodic evaluation reports. |
| II. More targeted allocation of public funds to development priorities, based on better information about the efficiency and the effectiveness of current spending. | • Sector based reviews of spending lead by the GOI\(^7\).  
• Recommendations of sector based reviews are an input to subsequent budget allocations decisions. |

\(^4\) Public Finance Management  
\(^5\) Ministry of Finance  
\(^6\) Medium Term Strategy Note  
\(^7\) Government of Indonesia
<table>
<thead>
<tr>
<th>Components</th>
<th>Results Indicators</th>
</tr>
</thead>
</table>
| III. Better links between budgetary spending and improvement of public services by improving the results orientation of the budget process. | - Improved mechanisms for policy based review and reallocation of budgetary spending.  
- Increased identification and justification of new initiatives in the budget based on program outputs.  
- Increased correlation between forward estimates and annual budgets for on-going policies.  
- Increased share of budget allocations in APBN\(^8\) subject to policy-based review.  
- Strengthened analytical capacity of the Parliament members and DPR\(^9\) secretariat staff on the state budget and state accountability report.  
- Strengthened multi-year perspective in fiscal planning, expenditure policy and budgeting (improved PEFA\(^{10}\) PI-12 rating from a C+ in 2011 to at least a B+ by 2015). |
| IV. Improved budget execution and reporting.                              | - Faster and evenly spread budget disbursement with commitment and procurement processes started earlier to smooth payments.  
Baseline: More than 60% of capital expenditure budget disbursed in 2\(^{nd}\) semester (Target 50% by 2015).  
- No data on commitments (Target full recording by 2015).  
- Improved PEFA rating for budget credibility (P\(^1\)1 and PI-2) from a C and D in 2011 to a B by 2015.  
- Improved PEFA rating for procurement (PI-19) from a C to at least a B+ by 2015.  
- Improved PEFA rating for predictability and control in budget execution (PI-16 and PI-17) from a C+ and B+ in 2011 to be an A by 2015. |
| V. Enhanced compliance and value-for-money in public resources use.       | - Continued improvement in opinion expressed in audited annual financial statements.  
- Improvement of Internal audit capacity based on Internal Audit Capability Model Matrix level 2. (baseline 26%).  
- Improved scope, nature and follow-up of external audit (improved PEFA PI-26 rating from a B+ in 2011 to an A by 2015). |
| VI. Increased fiscal revenues through improved customs, tax and non-tax administration performance. | - Annual increase in ratio of domestic tax revenues over GDP [Baseline: 12%].  
- Annual increase in number of registered individual and business taxpayers [Baseline: 20.1M (Indiv.), 1.9M (Business)].  
- Annual improvement in voluntary tax returns filing compliance rate [Baseline: 58.2%].  
- Annual improvement on custom and non-tax revenue collection (state assets and state wealth sources).  
- The number of organizations providing institutionalized electronic data exchange with DGT to support risk management. |

\(^{8}\) APBN: Anggaran Pengeluaran dan Belanja Negara or State Budget  
\(^{9}\) Dewan Perwakilan Rakyat – National Legislative Council  
\(^{10}\) Public Expenditure and Financial Accountability, PI is Performance Indicator.
<table>
<thead>
<tr>
<th>Components</th>
<th>Results Indicators</th>
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</table>
| VII. Improved Public Financial Management at the sub-national level. | • Input for Central Government policy changes on subnational PFM with the focus on:  
  a. Reform of intergovernmental fiscal transfer.  
  b. Monitoring and evaluation system of local government performance.  
  • Diagnostic document for improving budget execution and control at subnational level.  
  • Improved availability and usefulness of subnational fiscal information through the publication of fiscal information from at least 90% of subnational entities with reduced publication time lag (y-1 for budget and y-2 for realization).  
  • Timely publication of consolidated general government fiscal reports (central and local government).  
  • Piloting of prototype monitoring mechanism for enhancing accountability for subnational service delivery. |
| VIII. Strengthening/Transforming institutional capacity for PFM. | • Institutional Transformation Strategy and Roadmap for MOF, which contains vision and mission and refines the organizational arrangements and operations to focus on the four DG's that deliver the core budget services (Budget, Taxes, Treasury, and Customs & Excises).  
  • Improved BRISA (Bureaucracy Reform Implementation Self-Assessment) ratings for the MoF and Bappenas as leading institutions for PFM transformation. |