Mr. Robert Pakpahan
Director General of Debt Management
Directorate General of Debt Management
Ministry of Finance
Gedung Frans Seda 2nd Fl
Jl. Dr. Wahidin Raya No. 1
Jakarta 10710

Dear Mr. Pakpahan,

Re: Republic of Indonesia: Government Financial Management and Revenue Administration Project—Amendment No. 2 to the Loan Agreement (4762-IND) and Credit Agreement (4026-IND)

We refer to the Loan Agreement (Loan No. 4762-IND) (the “Loan Agreement”), dated December 22, 2004, between the Republic of Indonesia (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”); the Development Credit Agreement (Credit No. 4026-IND) (the “Development Credit Agreement”), dated December 22, 2004, between the Borrower and the International Development Association (the “Association”, and together with the Bank, the “World Bank”), and the Amendment to the Loan Agreement and the Credit Agreement dated May 22, 2009 (“First Amendment”), for the above-captioned project (the “Project”). We also refer to your letter dated November 8, 2013 requesting amendment to the Loan Agreement and the Development Credit Agreement, including inter alia: extension of the Closing Date, reallocation of Loan proceeds and revision of the Project descriptions. Capitalized terms used but not defined in this letter have the meanings given to them in the Loan Agreement and the Development Credit Agreement, as applicable.

The World Bank has agreed with your request, and, accordingly, proposes to amend the Loan Agreement and the Development Credit Agreement as set out below in this letter of amendment (the “Second Amendment”).

A. Amendment to the Loan Agreement and Extension of Closing Date

1. Preamble, clause "(B)" is amended to read as follows:

“(B) the Borrower has requested that the Bank support the Borrower's execution of the Program through a loan and credit over a period of approximately 12 years to be utilized by the Borrower in the implementation of the Program;”
2. The table in Schedule 1, paragraph 1 is amended as set out in the Attachment 1 to this Second Amendment.

3. Schedule 1, paragraph 6 is amended to read as follows:

"6. Notwithstanding the provisions of paragraphs 1 and 3 above, no withdrawals shall be made in respect of: (i) payments made for expenditures under Part A.2, Part A.4, Part B.1, Part B.2 or Part C.3 of the Project incurred after June 30, 2009; and (ii) payments made for expenditures under Part A.1, Part C.1 or Part C.2 of the Project incurred after December 31, 2013."

4. Schedule 2, Part A.1 of the Project is amended by replacing the final sentence to the said paragraph as follows: “Part A.1 of the Project shall be completed by December 31, 2013.”

5. Schedule 2, Part A.3 of the Project is amended as follows:

“3. (a) Modernizing the budget planning, budget execution and treasury payments system of the Borrower, including strengthening the Directorate General of Treasury and Directorate General of Budget of MOF, automating its overall treasury and budget planning, budget execution operations, and establishing a Treasury Single Account.

(b) Providing technical assistance to MOF to develop and support the implementation of change management and communications strategy.

Part A.3 of the Project shall continue until the expected completion date set out in the final line of this Schedule 2.”

6. Schedule 2, Parts C.1 and C.2 of the Project are amended as follows:

“1. Carrying out a program to strengthen parliamentary capacity for budget analysis and oversight through the provision of assistance to the Office of the Secretary General of the DPR.

2. Carrying out a program to strengthen the operations and professional capacity of the Tax Court.

Parts C.1 and C.2 of the Project shall be completed by December 31, 2013.”
7. The last sentence of Schedule 2 to the Loan Agreement is amended as follows:

"The Project is expected to be completed by December 31, 2015."

8. Schedule 4, paragraphs (A) and (B) of Section I are amended to read as follows:

"(A) All goods and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 (the 2004 Procurement Guidelines), and with the provisions of this Schedule and of Annex A to this Schedule. Notwithstanding the foregoing: (i) commencing on the date of the First Amendment, all goods and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 and revised in October 2006 (the 2006 Procurement Guidelines), and with the provisions of this Schedule and of Annex A to this Schedule; and (ii) commencing on the date of the Second Amendment, all goods and non-consulting services shall be procured in accordance with the provisions of 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 (the 2011 Procurement Guidelines), and with the provisions of this Schedule and Annex A to this Schedule. References to “the Procurement Guidelines” in this Agreement are to the 2004 Procurement Guidelines, the 2006 Procurement Guidelines, or the 2011 Procurement Guidelines, as applicable.

(B) All consultants’ services shall be procured in accordance with the provisions of Section I and Section IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the 2004 Consultant Guidelines), and with the provisions of this Schedule and of Annex A to this Schedule. Notwithstanding the foregoing: (i) commencing on the date of the First Amendment, all consultants’ services shall be procured in accordance with the provisions of Section I and Section IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 and revised in October 2006 (the 2006 Consultant Guidelines), and with the provisions of this Schedule and of Annex A to this Schedule; and (ii) commencing on the date of the Second Amendment, all consultants’ services shall be procured in accordance with the provisions of Section I and Section IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (the 2011 Consultant Guidelines), and with the provisions of this Schedule and Annex A to this Schedule. References to “the Consultant Guidelines” in this Agreement are to the 2004 Consultant Guidelines, the 2006 Consultant Guidelines, or the 2011 Consultant Guidelines, as applicable.
9. Schedule 5, paragraph 7(v) is amended to read as follows:

“(v) ensure that, not later than December 31, 2013, the stage one roll-out of SPAN (as piloting stage) is completed.”

10. Schedule 5, paragraph 12 is amended to read as follows:

“12. The Borrower shall cease to use the proceeds of the Loan for the purposes of Parts A.2, A.4, B.1, B.2, and C.3 of the Project after June 30, 2009, and for Parts A.1 and C.2 of the Project after December 31, 2013.”

11. Schedule 6, under the heading “Part C of the Project” the performance indicator in Part C.2 is deleted in its entirety.

12. Annex B to Schedule 4 is hereby replaced in its entirety with the new Annex B as set out in Attachment 2 of this Second Amendment.

13. Additionally, the Bank has established December 31, 2015 as the later date for purposes of Section 2.03 of the Loan Agreement.

B. Amendment to the Development Credit Agreement

14. Preamble, clause (B) is amended to read as follows:

“(B) the Borrower has requested that the Association support the Borrower's execution of the Program through a loan and credit over a period of approximately 12 years to be utilized by the Borrower in the implementation of the Program; and"

Except as specifically amended by the provisions of this Second Amendment, all terms and conditions in the Loan Agreement, the Development Credit Agreement and the Grant Agreement otherwise remain in full force and effect.
Please confirm your agreement to the foregoing amendments by signing and dating both enclosed copies of this Second Amendment in the space provided and return one signed copy to us. The above amendments will become effective as of the Borrower’s countersignature date of this Second Amendment.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Rodrigo A. Chaves
Country Director, Indonesia

AGREED:
REPUBLIC OF INDONESIA

By: 
Authorized Representative

Name: Robert Pakpahan
Title: Director General of Debt Management
Date: December 26, 2013
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>Amount of the Japan Grant Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
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<tbody>
<tr>
<td>(1) (a) Goods other than for SPAN</td>
<td>0</td>
<td>594,000</td>
<td>0</td>
<td>100%</td>
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<td>(1) (b) Goods for SPAN under Part A.3 of the Project</td>
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<td>35,816,000</td>
<td>0</td>
<td>100%</td>
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<tr>
<td>(2) Consultants’ services</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) (a) other than Part C.1 of the Project</td>
<td>3,410,000</td>
<td>7,498,000</td>
<td>4,780,600</td>
<td>100%</td>
</tr>
<tr>
<td>(2) (b) for Part C.1 of the Project</td>
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<td>0</td>
<td>121,500</td>
<td>100%</td>
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<td>(3) Training and workshops</td>
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<td>(4) Incremental operating costs</td>
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<td>8,000,000</td>
<td>12,300</td>
<td>100%</td>
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<td>(5) Refunding of Project Preparation Advances</td>
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<td>617,000</td>
<td>0</td>
<td>Amounts due pursuant to Section 2.02 (c) of the Loan Agreement</td>
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<td>(6) Front-end Fee</td>
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<td>275,000</td>
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<td>Amount due under Section 2.04 of the Loan Agreement</td>
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<td>(7) Unallocated</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
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<tr>
<td>TOTAL</td>
<td>3,410,000</td>
<td>55,000,000</td>
<td>5,000,000</td>
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ANNEX B TO SCHEDULE 4

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those of the Pelelangan Umum (Public Tendering) and Pemilihan Langsung / Pelelangan Sederhana (Simplified Tendering) methods as set forth in the Recipient’s Presidential Regulation No. 54/2010 as amended through July 31, 2012, including amendments set forth in Presidential Regulation No. 70/2012, with the modifications set out below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. The Pemilihan Langsung / Pelelangan Sederhana method shall apply to such procurement up to the financial thresholds specified in said Regulation. In the event of a conflict between the Recipient’s procedures and these modifications, the latter shall govern.

1. Procuring entities shall use the appropriate standard bidding documents acceptable to the Recipient and the Bank. The provisions of Section 1.16 (Fraud and Corruption) of the Procurement Guidelines shall apply, and each bidding document and contract financed out of the proceeds of the Grant shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of said Guidelines and the contract provisions set out in paragraph 1.16(e) of said Guidelines.

2. Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm determined to be the lowest evaluated responsive bidder shall be given reasonable time for registration. Foreign bidders shall not be required to form a joint venture or sub-contract part of the supply of goods, non-consulting services, and works as a condition for submitting bids or the award of the contract. Bidding documents shall be made available, by mail or in person, to all international bidders who are willing to pay the required fee.

3. No preference of any kind shall be given to any bidders.

4. Under the Pelelangan Umum method, bidders shall be allowed at least twenty-one (21) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids; this period shall be ten (10) days under the Pemilihan Langsung / Pelelangan Sederhana method.

5. Bids invited under the Pelelangan Umum method shall be submitted in one (1) envelope and evaluated using post-qualification.

6. No bidder shall be rejected merely on the basis of a comparison with the owner’s estimate and budget ceiling without the Bank’s prior written concurrence.

7. Bid security, at the bidder’s option, shall be in the form of a letter of credit or guarantee from a reputable bank or other reputable financial institution and shall without exception follow the form provided for this purpose in the bidding documents.

8. All bids shall not be rejected and new bids solicited without the Bank’s prior written concurrence.

9. Government-owned enterprises in Indonesia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient or sub-borrower.