Letter No. CD-082/WB/PSF//V/2017

May 3, 2017

Ms Fleur Davies
Minister-Counsellor, Governance and Human Development
Australian Embassy Jakarta
Jl. Patra Kuningan Raya Kav 1 – 4
Jakarta 12950 - INDONESIA

Dear Ms. Davies:

Re: Amendment No. 15 to the Trust Fund Contribution Agreement between the Government of Australia, acting through the Department of Foreign Affairs and Trade, and the International Bank for Reconstruction and Development for the Support Facility for National Program for Community Empowerment (PSF) (World Bank TF070967) (DFAT Arrangement No: 51045)

1. We refer to the Trust Fund Contribution Agreement (henceforth “Contribution Arrangement”), dated January 30, 2008, as amended through May 4, 2016, between the Government of Australia, acting through the Department of Foreign Affairs and Trade (“DFAT”) (“Donor”), and the International Bank for Reconstruction and Development (“Bank”), acting as administrator of the Support Facility for National Program for Community Empowerment (“PSF”) (“Trust Fund”). Capitalized terms used but not defined in this amendment have the meanings given to them in the Contribution Arrangement. The Contribution Arrangement has so far been amended as follows:

- Amendment 1 dated May 8, 2008, for the First Additional Contribution of AUD4,550,000;
- Amendment 2 dated June 10, 2009, for the Second Additional Contribution of AUD4,000,000;
- Amendment 2B dated November 18, 2009, reflecting additional categories for recipient-executed activities;
- Amendment 3 dated May 18, 2010, for the Third Additional Contribution of AUD17,500,000;
- Amendment 4 dated December 6, 2010, to amend the Standard Provisions in line with the revised PSF Operations Manual;
- Amendment 5 dated March 4, 2011, for the Fourth Additional Contribution of AUD32,000,000;
- Amendment 6 dated February 29, 2012, for the Fifth Additional Contribution of AUD47,000,000;
- Amendment 7 dated June 4, 2012, for the Sixth Additional Contribution of AUD1,700,000;
- Amendment 8 dated December 14, 2012 for the Seventh Additional Contribution of AUD34,100,000;
- Amendment 9 dated April 12, 2013 for the Eighth Additional Contribution of AUD7,600,000;
- Amendment 10 dated June 4, 2013 for the Ninth Additional Contribution of AUD38,000,000;
- Amendment 11 dated June 28, 2013 to amend the end disbursement date of the Trust Fund;
- Amendment 12 dated April 9, 2014 for the Tenth Additional Contribution of AUD 9,100,000;
- Amendment 13 dated June 10, 2014 for the Eleventh Additional Contribution of AUD 8,400,000; and
- Amendment 14 dated April 13, 2016 (and countersigned on May 4, 2016) to reduce Donor’s contribution to the PSF by AUD14, 500,000.

2. The Donor and the Bank hereby decide to replace the following terms in the above cited Contribution Arrangement, excluding those in the Annexes of the Contribution Arrangements, as follows:

(a) “Contribution Agreement” with “Contribution Arrangement”;
(b) “this Agreement” with “this Arrangement”; 
(c) “Article” with “Section”;
(d) “shall” with “will”;
(e) “Parties” with “Participants”;
(f) Tenses of the verb “to agree” with tenses of the verb “to decide; and
(g) “agreement” (when used in reference to the Parties/Participants) with “decision”.

3. All references made in the Annexes to “shall, “Contribution Agreement” and “Parties” will have the same meaning as the term “will”, “Contribution Arrangement” and “Participants” herein. In addition, references in the Annexes to “agreements” or to tenses of the verb “to agree” will be deemed to constitute references to “decisions” or to tenses of the verb “to decide”, and references to “comply”, “non-compliance” and “obligations” will deemed to constitute references to “adhere”, “non-adherence” and “terms”.

4. It is understood that this Administration Arrangement, including any annexes, is not an international treaty and is not eligible for registration as a treaty under Article 102 of the United Nations Charter, nor is it, in the Donor’s understanding, any other form of international agreement. It is an administrative arrangement between the Bank and the Donor.

5. Additionally, pursuant to a request from the Government of Indonesia to reform the Trust Fund, and recent discussions between the Bank and the Donor, the Bank proposes to amend the Contribution Arrangement as set out in this Amendment (the “Amendment”).

6. The name of the Trust Fund – currently “Support Facility for National Program for Community Empowerment (“PSF”)” – is amended to read “Local Solutions to Poverty (LSP)”. Therefore, throughout the Contribution Arrangement, the words “Support Facility for National Program for Community Empowerment” or “National Program for Community Empowerment” or “Program Nasional Pembangunan Masyarakat Mandiri” will be replaced with the words “Local Solutions to Poverty” and the term “PSF” or “PNPM” or “PNPM Mandiri” will be replaced with the term “LSP”.

7. Section 2.1 of the Annex to the Contribution Arrangement is amended and restated as follows:

“(a) “Bank-Executed Activities” means activities included in a Project, and to be executed by the Bank;

(b) “BAPPENAS” means Badan Perencanaan Pembangunan Nasional, the Republic of Indonesia’s National Development Planning Agency, and any successor thereto;
(c) "Contribution" means any contribution to the Trust Fund made by the Donor pursuant to an agreement between the Bank acting as trustee of the Trust Fund and the Donor;

(d) "Dollar" or "$" means the United States dollar;

(e) "Donor" means each donor making a Contribution to the Trust Fund;

(f) "GOI" means Government of Indonesia;

(g) "Grant" means a grant made or proposed to be made by the Bank out of the resources of the Trust Fund to support a Recipient-Executed Activity;

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

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

(j) "Joint Management Committee" and "JMC" means the Joint Management Committee referred to in paragraph 7.1 of this Annex;

(k) "LSP" means Local Solutions to Poverty, the GOI facility consisting of this Trust Fund and any other trust funds administered by the Bank and agreed by the Donors to be subject to the governance arrangements set out in the Operations Manual;

(l) "LSP Trust Fund Activity" means each activity for which an allocation is made out of the Trust Fund either specifically as a Project or as part of the funding for a group of Projects, and may be Bank-Executed or Recipient-Executed;

(m) "NGO" means non-governmental organization;

(n) "Operations Manual" means the Operations Manual approved and adopted by the JMC, giving details of operational guidelines and procedures governing the eligibility for funding under the Trust Fund, approval process, terms and conditions of Grants, transfer of funds, monitoring and supervision, and reporting obligations, as such Operations Manual may be amended from time to time with the agreement of the JMC;

(o) "Project" means one or more Trust Fund Activities grouped in the form of a project which is the subject matter of a Proposal, and which has been, or is expected to be, endorsed by the Joint Management Committee, either specifically as a Project or as part of the funding for a group of Projects for financing under the Trust Fund;

(p) "Proposal" means a proposal for a Project, meeting the requirements set out in the Operations Manual;
(q) "Recipient-Executed Activities" means activities included in a Project, and to be executed by an entity other than the Bank;

(r) "Technical Committee" means the Technical Committee referred to in paragraph 7.2 of this Annex;

(s) "Technical Secretariat" means the Technical Secretariat referred to in paragraph 7.3 of this Annex; and

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

8. Section 3.1 of the Annex to the Contribution Arrangement is amended as follows:

"3.1 The purpose of the Trust Fund is to establish a common platform to mobilize donor resources and channel financial assistance in support of the Republic of Indonesia's efforts to improve the quality of life of poor and vulnerable Indonesians through local solutions to reduce poverty and inequality."

9. Section 3.2(c) of the Annex to the Contribution Arrangement is amended as follows:

“(c) Provision of technical advisory services and other material assistance to agencies of the Republic of Indonesia to support their long-term capacity to engage and strengthen the role of all citizens, including the poor and vulnerable in improving basic services in Indonesia, specifically health, education and basic infrastructure services.”

10. Section 7.1(a) of the Annex to the Contribution Arrangement is amended as follows:

“(a) There shall be established a Joint Management Committee (JMC) to be chaired by BAPPENAS. Voting members of the JMC shall be BAPPENAS, the Bank, each active Donor contributing at least $1 million to the Trust Fund, and representatives from GOI agencies appointed from time to time by BAPPENAS.”

11. Section 7.2 of the Annex to the Contribution Arrangement is amended as follows:

“7.2 Technical Committee. (a) There shall also be established a Technical Committee to be co-chaired by a representative of BAPPENAS and the chair of the Technical Secretariat.

(b) The Technical Committee will coordinate the development of multi-year and annual workplans for the following year, assess progress, lead performance reporting, and help drive collaboration and information sharing.

(c) The Technical Committee will determine its procedures and regulate its proceedings as set out in the Operations Manual.”

12. Section 7.4 of the Annex to the Contribution Arrangement is hereby deleted in its entirety.
13. Section 13.1 of the Standard Provisions is amended to reflect the extension of the end disbursement date of the PSF to **June 30, 2020** as set out below.

“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 Trust Fund Contribution Agreement by **June 30, 2020**. The Bank will only disburse Contribution funds for the purposes of this Trust Fund Contribution Agreement after such date with the written approval of the Donor.”

14. All other provisions of the Contribution Arrangement remain unchanged.

15. The Bank will disclose this Arrangement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By signing this Arrangement, the Donor consents to disclosure of this Arrangement and related information on this Trust Fund.

16. Please confirm your acceptance to the foregoing, on behalf of the Donor, by signing and dating the two originals, retaining one original for your records and returning the other original to the Bank. Upon receipt by the Bank of the original Amendment countersigned by you, this Amendment will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]

Rodrigo A. Chaves
Country Director, Indonesia

CONFIRMED:

FOR THE GOVERNMENT OF AUSTRALIA
acting through the Department of Foreign Affairs and Trade

By:

Name: **Mark Davies**

Title: **Minister-Counselor, Australian Embassy, Jakarta**

Date: **9 May 2017**

1818 H Street NW • Washington, DC 20433 USA