Letter No. CD-248/JSDF/VIII/2012

Mr. Abdon Nababan
Secretary General
Aliansi Masyarakat Adat Nusantara (AMAN)
Jl. Tebet Utara IIC No. 22
Jakarta Selatan, INDONESIA

Re: INDONESIA: JSDF Grant for Improving Governance for Sustainable Indigenous Community Livelihoods in Forested Areas Project
Grant No. TF012020

Dear Mr. Nababan:

In response to the request for financial assistance made on behalf of the Aliansi Masyarakat Adat Nusantara (AMAN) (the "Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), as administrator of grant funds provided by Japan ("Donor") under the Japan Social Development Fund, proposes to extend to the Recipient, for the benefit of the Republic of Indonesia ("Member Country"), a grant in an amount not to exceed two million eight hundred fifty seven thousand one hundred forty three United States Dollars (U.S.$2,857,143) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

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

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement with the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of this Agreement, unless the World Bank shall have established a later date for such purpose.
Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]

Josephine Bassinette
Acting Country Director, Indonesia

AGREED:

ALIANSI MASYARAKAT ADAT NUSANTARA (AMAN)

[Signature]

By

Authorized Representative

Name

Abdon Nababan

Title

Secretary General

Date

30 August 2012

Enclosures:


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


1.C2. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement. For purposes of this Agreement, the following terms, whenever used in this Agreement, shall have the following meanings:

(a) “BRWA” means *Badan Registrasi Wilayah Adat* or the Ancestral Domain Registration Agency established by the Recipient to register Indigenous Peoples’ ancestral domains in the Member Country’s territory, or any successor thereto.

(b) “Category” means a category set forth in the table in Section 3.01 of this Annex.

(c) “Environmental and Social Guidelines” means the Environmental and Social Guidelines, which is an annex to the Project Operational Manual and which sets out procedures designed to: (i) ensure that Project activities are conducted in a manner designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental and social impacts, or reduce such impacts to acceptable levels; (ii) obtain broad community support by involving Indigenous Peoples in the design and implementation of Sub-projects in locations in which such people reside or make their living; and (iii) design and implement measures to provide benefits which are socially and culturally acceptable to Indigenous Peoples, and reduce, mitigate and offset adverse impacts of Sub-projects, as such guidelines may be amended from time to time with the prior written agreement of the World Bank and the Recipient.

(d) “Indigenous Peoples” means distinct, vulnerable, social and cultural groups that are beneficiaries of the Project.

(e) “Negative List” means the list of activities and inputs for which the proceeds of the Grant shall not be used, as set out in the Project Operational Manual.

(f) “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 8, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

(g) “Project Operational Manual” means the *Pedoman Operasional Hibah JSDF*, dated June 12, 2012 referred to in Section 2.03(b)(i) of this Annex, as such Project
Operational Manual may be amended or supplemented from time to time with the prior written agreement of the Recipient and the World Bank.

(h) "Project Provinces" means the Provinces where ten main forests of the Member Country are located and where the Project shall be implemented as set out in Section 2.01 (b) of this Annex. Such provinces may be divided or reorganized from time to time by the Member Country.

(i) "Project Team" means the Project management unit established and operating in accordance with Section 2.03 (a) of this Annex.

(j) "Province" means an administrative sub-division of the Member Country’s territory at the first level below the national level. "Provinces" means more than one Province.

(k) "Sub-Grant" means the proceeds of the Grant to be made available to an eligible Sub-Grantee in accordance with Section 2.03(c) of this Annex for the purposes of carrying out a Sub-project. "Sub-Grants" means more than one Sub-Grant.

(l) "Sub-Grant Agreement” means each agreement to be entered into by a Sub-Grantee and the Recipient, setting out the terms and conditions, acceptable to the World Bank, on which the Recipient may make a portion of the proceeds of the Grant available to a Sub-Grantee for the purposes of carrying out a Sub-project, in each case on terms and conditions consistent with this Agreement including each of the provisions set out in Section 2.03(c) of this Annex. “Sub-Grant Agreements” means more than one Sub-Grant Agreement.

(m) "Sub-Grantee” means a civil society organization or other entity: (i) meeting the eligibility criteria set out in, and selected pursuant to, the Project Operational Manual; and (ii) which has entered into a Sub-Grant Agreement with the Recipient meeting the requirements set out in Section 2.03(c) of this Agreement. “Sub-Grantees” means more than one Sub-Grantee

(n) "Sub-Grants Manual” means the Sub-Grants Manual to be adopted by the Recipient prior to disbursement of Category (5), meeting the requirements of Section 2.03 (b)(ii) of this Annex, as such manual shall be acceptable to the World Bank and may be amended or updated from time to time by the prior written agreement between the Recipient and the World Bank.

(o) "Sub-project” means those activities: (i) consistent with Section 2.01 of this Annex; (ii) meeting the requirements of the Project Operational Manual and the Sub-Grants Manual; (iii) which are not on the Negative List; and (iv) for which a Sub-Grant shall be made by the Recipient to a Sub-Grantee in accordance with the provisions of Section 2.03 (c) of this Annex. “Sub-projects” means more than one Sub-project.
Article II
Project Execution

2.01 Project Objectives and Description. (a) The objective of the Project is to improve the livelihoods of 250 (two hundred and fifty) indigenous communities located in the Project Provinces, and to improve the capacity of indigenous communities to participate in, and benefit from, national and international forest policy developments.

(b) The Project shall be implemented in at least ten (10) Project Provinces, which shall include Central Kalimantan, East Kalimantan, West Kalimantan, Papua, West Papua, Jambi, South Sumatra, Aceh, Riau and Central Sulawesi. Such provinces may be divided or reorganized from time to time by the Member Country.

(c) The Project consists of the following parts.

Part 1. Promotion of participatory land use planning with Indigenous Peoples communities:

(i) providing training and workshops on the effective use of geographic information technology and participatory mapping;

(ii) undertaking participatory land use planning and design; and

(iii) supporting the existing BRWA.

Part 2. Capacity building of Indigenous Peoples organizations:

(i) providing technical assistance for indigenous communities and their local organizations;

(ii) providing training on community based forest resource management, ecoforestry and training on potential scheme of payment for ecosystem services implementation;

(iii) supporting indigenous learning exchange programs; and

(iv) providing capacity building for indigenous women.

Part 3. Development of forest resource and cultural-based income generating activities:

(i) conducting assessments of Indigenous People’s non-timber forest and cultural-based resources for income generating activities;

(ii) developing Indigenous Peoples community enterprises;

(iii) financing Indigenous Peoples community enterprise; and

(iv) facilitating access to market.
Part 4. Project management, monitoring and evaluation, and knowledge dissemination.

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

2.03. Institutional and Other Arrangements.

(a) Institutional Arrangements. The Recipient shall be responsible for the implementation of the Project and shall maintain until completion of the Project, a Project Team, which includes a Project director, a Project manager, two accountants, an administrative assistant, and three Project executants, with terms of reference acceptable to the World Bank.

(b) Implementation Arrangements

(i) The Recipient shall implement the Project in accordance with the Project Operational Manual, acceptable to the World Bank, which taken together give details of guidelines and procedures acceptable to the World Bank for the implementation, supervision, and monitoring and evaluation, of the Project, including: (A) implementation arrangements; (B) procurement procedures as set forth in Section 2.05 of this Annex, standard procurement documentation and Procurement Plan; (C) reporting requirements, financial management procedures and audit procedures as set forth in Sections 2.04 of this Annex; (D) project performance indicators; (E) the Environmental and Social Guidelines, which shall include the procedures for involving Indigenous Peoples, social assessment, consultation framework and consultation principle for the selection of Indigenous Peoples communities; (F) the Negative List; (G) the criteria for selecting income-generating activities for Sub-Grants; and (H) the criteria and procedures for promoting the Project. The Recipient shall not amend the Project Operational Manual except with the prior written agreement of the World Bank.

(ii) The Recipient shall prepare and adopt, prior to making any Sub-Grants, and thereafter implement a Sub-Grants Manual, acceptable to the World Bank, which gives details of guidelines and procedures acceptable to the World Bank for the selection, implementation, supervision, and monitoring and evaluation of Sub-Grants, including: (A) the criteria and procedures for selecting Sub-Grantee proposals; (B) the funds flow mechanism, eligible expenditures, documentation, reporting and monitoring arrangements of a Sub-Grant; (C) the form
for Sub-Grantee proposals; (D) the Environmental and Social Guidelines applicable to Sub-Grants; (E) mandatory terms and conditions of Sub-Grant Agreements, including those set out in sub-paragraph (c) of this Section 2.03, and (F) obligations for implementation by, and supervision of, Project activities carried out by Sub-Grantees in a manner and substance satisfactory to the World Bank.

(iii) In the event of any conflict between the provisions of: (A) the Project Operational Manual; the Sub-Grants Manual; or any Sub-Grant Agreement; and (B) those of this Agreement, the latter shall prevail.

(c) Procedures, Terms and Conditions for Sub-grants

(i) The Recipient shall make available the proceeds of the Grant allocated to Category (5) of the table in paragraph 3.01 of this Annex to one or more eligible Sub-Grantee(s), in each case under a Sub-Grant Agreement to be entered into between the Sub-Grantee and the Recipient, on terms and conditions consistent with this Agreement, and including in all cases the provisions of sub-paragraph (iv) of this Section 2.03(c) for the purposes of carrying out Sub-project activities in accordance with the Project Operational Manual.

(ii) The Recipient shall not enter into any Sub-Grant Agreement or make available any Grant proceeds to any Sub-Grantee unless: (A) such Sub-Grantee has furnished to the Recipient a proposal for a Sub-project that fully satisfies the criteria specified in the Project Operational Manual, including a procurement plan, and (B) the World Bank has issued a no-objection letter for such Sub-project, unless the World Bank has otherwise notified the Recipient in writing that a World Bank no-objection letter is not necessary for a given Sub-project or a given category of Sub-projects.

(iii) The Recipient shall ensure that no Sub-Grant shall be provided for any activity or input on the Negative List. The Recipient shall ensure that no Sub-Grant may be made available to a Sub-Grantee unless the Recipient and the Sub-Grantee have entered into a Sub-Grant Agreement that fully satisfies the criteria specified in the Project Operational Manual and in sub-paragraph (iv) below.

(iv) The Recipient shall ensure that each Sub-Grant Agreement shall provide for rights adequate to protect the interests of the World Bank and the Recipient and shall:

(A) require the Sub-Grantee to carry out activities specified in the relevant Sub-Grant Agreement in accordance due diligence and efficiency and in accordance with sound technical,
economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the Project Operational Manual, the Sub-Grants Manual, the Anti-Corruption Guidelines, and the Environmental and Social Guidelines;

(B) require that all goods and services necessary for the Sub-project shall be procured by the Sub-Grantee in accordance with the provisions of paragraph 2.05 of this Annex;

(C) provide promptly as needed the resources required for the Sub-project;

(D) require that all goods and services shall be used exclusively in the carrying out of the Sub-project activities;

(E) require that the Sub-Grantee shall monitor and evaluate the progress of the Sub-project in accordance with the Project Operational Manual;

(F) require that the Sub-Grantee shall maintain a financial management system in accordance with the Project Operational Manual and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank and the Recipient; both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project and at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank and the Recipient;

(G) enable the Recipient and the World Bank to inspect the Sub-project, its operation and any relevant records and documents; and prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and

(H) set out the right of the Recipient to: (i) suspend or terminate the right of the Sub-Grantee to use the proceeds of Sub-Grant; or (ii) obtain a refund of the Sub-Grant upon the failure of the Sub-Grantee to perform any of its obligations under the Sub-Grant Agreement.

(v) The Recipient shall provide training acceptable to the World Bank on the Sub-Grant Manual to each Sub-Grantee prior to the implementation of each Sub-project.
(d) Environmental and Social Safeguards

(i) (A) The Recipient shall ensure that each Sub-Grant is implemented in accordance with the environmental and social safeguards section of the Project Operational Manual, including the Environmental and Social Guidelines and the Negative List.

(B) In the event of any conflict between the provisions of: (i) any of the Environmental and Social Guidelines and the Negative List; and (ii) those of this Agreement, the latter shall prevail.

(ii) The Recipient shall ensure that each Sub-Grantee shall, in carrying out any Sub-project that may affect Indigenous Peoples, apply the Environmental and Social Guidelines in a manner to ensure that the Sub-project shall:

(A) avoid cultural, social and economic adverse effects on Indigenous Peoples, caused or likely to be caused by the Sub-project, by taking appropriate mitigating measures; and

(B) (1) be based on broad community support, which shall be obtained by involving concerned Indigenous Peoples in the design and implementation of Sub-projects in which such people reside or make a living; (2) design and implement measures so as to ensure that the benefits received by the Indigenous Peoples under the Project are in harmony with their economic, social and cultural preferences, and likely to protect their customary user rights and reduce, mitigate and offset any adverse impacts of Sub-projects; and (3) ensure that the Sub-project proposal submitted by the Sub-Grantee to the Recipient shall have addressed the foregoing in a manner sufficient for such proposal to qualify as an indigenous peoples plan in accordance with the Project Operational Manual.

(iii) The Recipient shall ensure that the proceeds of Grant shall not be used to finance any acquisition of land or any resettlement and that no Sub-project shall require or permit the acquisition of land or resettlement.

(iv) Without limiting the obligations under Section 2.04 of this Annex, the Recipient shall take all measures necessary on its part to regularly monitor the Sub-projects and include, as part of the Project Reports, (A) information on the status of compliance with the Environmental and Social Guidelines; (B) details of measures taken for each Sub-
project in the implementation of the foregoing; and (C) information on conditions, if any, in any Sub-project which interfere or threaten to interfere with the implementation of the foregoing, and remedial measures taken or required to be taken to address such conditions.

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

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.05. **Procurement**

(a) **General.** All goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

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

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

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

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

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

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

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants’ Qualifications; and (B) Selection of Individual Consultants.

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

Article III
Withdrawal of Grant Proceeds

3.C1. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in U.S. $)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and Non-Consulting Services</td>
<td>63,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants Services</td>
<td>254,494</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training*</td>
<td>1,966,949</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs*</td>
<td>169,200</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Sub-Grants</td>
<td>403,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>2,857,143</strong></td>
<td></td>
</tr>
</tbody>
</table>

* For the purposes of this Section: (i) the term “training” means training conducted in the territory of the Member Country, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; and (ii) the term “operating costs” means operating costs required for the Project including technical and professional staff costs that have been demonstrated as being directly attributable to the Project, consumable materials and supplies, office rent, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Member Country’s civil service.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient; or

(b) under Category (5) until the Recipient has adopted the Sub-Grant Manual, acceptable to the Recipient and the World Bank, set forth in Section 2.03 (b) (ii) of this Annex.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 15, 2015.
Article IV
Recipient’s Representative; Addresses

5.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Secretary General of the Recipient.

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

AMAN (Aliansi Masyarakat Adat Nusantara)
Jl. Tebet Utara IIIC No. 22
Jakarta Selatan, Indonesia

Telephone/Facsimile: (62) 21 8297954

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

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

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

Washington, D.C.