Dear Mr. Agus Suprijanto:

**RE: IBRD Loan 7867-ID**

*(Third National Program for Community Empowerment in Rural Areas Project)*

**Additional Instructions: Disbursement**

I refer to the Loan Agreement (the “Agreement”) between the International Bank for Reconstruction and Development (the “Bank”) and the Republic of Indonesia (the “Borrower”) dated April 9, 2010. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of IBRD 7867-ID (the “Loan”). This letter revises the Additional Instructions: Disbursement dated March 23, 2011 and April 9, 2010 and September 21, 2010 by authorizing a segregated Designated Account.

World Bank Disbursement Guidelines for Projects, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1) are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. **Disbursement Arrangements**

   (i) **Disbursement Methods (section 2).** The following Disbursement Methods may be used under the Agreement:

   - Advance
   - Reimbursement
   - Direct Payment

   (ii) **Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is four months after the Closing Date specified in the Agreement. Any changes to this date will be notified by the Bank.

   (iii) **Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Condition(s) in the Agreement, as amended.
II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1). Applications for this Loan will be signed by the officials authorized to sign Applications as indicated in Ministry of Finance letters No. S6428/PB/2010, dated August 24, 2010; No. S4903/PB/2010, dated July 8, 2010; and No. S6298/PB/2009, dated October 17, 2009. Please notify us promptly should there be any change in the authorized officials in this regard.

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank Office Jakarta (WBOJ)
Jakarta Stock Exchange Building, Tower 2, 12th Floor
Jl. Jenderal Sudirman Kav. 52-53, Jakarta 12190, Indonesia
Attention: CTRDM Manila

(iii) Electronic Delivery (subsection 3.4). The Bank may permit the Borrower to electronically deliver the Bank Applications (with supporting documents) through the Bank’s Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Borrower has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Borrower with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Tokens”) provided in Attachment 2; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5): Not applicable.

(vi) Advances (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Segregated.
- **Currency of Designated Account (subsection 5.4):** United States Dollar (USD)
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Bank Indonesia or another financial institution acceptable to the Bank.
- **Ceiling (subsection 6.1):** Based on six months cash forecasts contained in Interim Financial Reports (IFR).
III. Reporting on Use of Loan Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each Application for Withdrawal as set out below:

- For reporting eligible expenditures paid from the Designated Account:
  - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 3, Form 1-B), together with records evidencing eligible expenditures e.g., copies of receipts, supplier invoices;
  - IFR in the form attached (Attachment 3, Forms IFR-1, IFR-2, 1-C and 1-C2) for all other expenditures; and
  - A Designated Account Reconciliation Statement in the form attached (Attachment 3, Form 1-A).

- For requests for Reimbursement:
  - List of payments against contracts that are subject to the Bank’s prior review, in the form attached (Attachment 3, Form 1-B), together with records evidencing eligible expenditures e.g., copies of receipts, supplier invoices;
  - Statement of Expenditures in the form attached (Attachment 3, Forms 1-C and 1-C2) for all other expenditures; and
  - Either copies of records evidencing eligible expenditures and amounts actually paid, or the Certification of same in the form attached (Attachment 4), as applicable.

- For requests for Direct Payment: Records evidencing eligible expenditures, e.g. copies of receipts, supplier invoices.

(ii) Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3): Based on quarterly Interim Financial Reports (IFRs).

IV. Other Disbursement Instructions

The reimbursement disbursement method is authorized for all categories contained in Section IV. A. 2. of the Agreement. The advance and direct payment disbursement methods are authorized for all categories, except category (1) Kecamatan Grants of the Agreement.

V. Other Important Information


If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Funding, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Bank at <clientconnection@worldbank.org>.
If you have any queries in relation to the above, please contact me at loa-eap@worldbank.org or the Disbursement Team in WBOJ using the above reference.

Yours sincerely,

/s/ Stefan G. Koeberle  
Country Director, Indonesia

Attachments
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
3. Format of List of Payments and Statement of Expenditures
4. Certification for Reimbursement of Kelurahan Grants

cc: Mr. Rachmat Waluyanto, DG Debt Management, MOF
The Bank will provide secure identification devices (Tokens) to permit the Borrower to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

A. Identification of Users.

1. The Borrower has identified who will be authorized to deliver Applications. The Bank will provide Tokens to each person identified, as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.

2. Each Signatory must register as a user on the Bank’s Client Connection (CC) website (https://clientconnection.worldbank.org) prior to delivery of Tokens. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Distribution, Initialization and Return of Tokens.

1. The Bank will physically deliver a Token to each Signatory in a manner to be determined by and satisfactory to the Bank.

2. At the time of delivery of a Token to a Signatory, the Signatory will receive a copy of these Terms and Conditions of Use for purposes of initializing the Token.

3. The Bank will verify that the Token, Temporary Password and Terms and Conditions of Use have been duly delivered to and received by the CC User.

4. Promptly upon receipt of the Token and Terms and Conditions of Use, the Signatory will access CC using his/her account name and CC Password and register his/her Token and set a personal identification number (PIN) to be used in connection with the use of his/her Token, after which the Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the Token, the Signatory will be a “Token User”. The Bank will maintain in its database a user account (Account) for each Token User for purposes of managing the Token of the Token User. Neither the Borrower nor the Token User will have any access to the Account.
5. Prior to first use of the Token by the Token User for delivering Applications, the Borrower shall ensure that the Token User has received training materials provided by the Bank in use of the Token.

6. Tokens shall be promptly returned to the Bank upon request of the Bank.

C. Management of Tokens.

1. Tokens will remain the property of the Bank.

2. Use of the Token is strictly limited to use in the delivery of Applications by the Token User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the Token is prohibited.

3. The Bank assumes no responsibility or liability whatsoever for any misuse of the Token by the Token User, other representatives of the Borrower, or third parties.

4. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in delivery of a Token to each Token User) that each Token User is provided, understands and will abide by, these Terms and Conditions of Use, including without limitation the following:

Security

4.1. The Token User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.

4.2. The Token User shall not allow anyone else to utilize a Token to deliver an Application to the Bank.

4.3. The Token User shall always logout from CC when not using the system. Failure to logout properly can create a route into the system that is unprotected.

4.4. If the Token User believes a third party has learned his/her PIN or has lost his/her Token he/she shall immediately notify clientconnection@worldbank.org.

4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of any lost, stolen or compromised Tokens, and take other reasonable steps to ensure such Tokens are disabled immediately.

Care of Tokens

4.6. Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output
high levels of EMR that can interfere with the proper operation of electronic equipment, including the Token.

4.7 Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care Tokens are available at http://www.rsa.com.

5. **Replacement**

5.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Tokens will be replaced at the expense of the Borrower.

5.2. The Bank reserves the right, in its sole discretion, not to replace any Token in the case of misuse, or not to reactivate a Token User’s Account

6. **Reservation of Right to disable Token**

6.1. The Borrower shall reserve the right to revoke the authorization of a Token User to use a Token for any reason.

6.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a Token, de-activate a Token User’s Account or both.
Attachment 4

Certification for Reimbursement of Kecamatan Grants

Under IBRD 7867-ID, Third National Program for Community Empowerment in Rural Areas Project, the Program Nasional Pemberdayaan Masyarakat Mandiri (PNPM) implemented under the Ministry of Home Affairs, block grants are provided to communities at the Kecamatan level. The PNPM has incurred the following Kecamatan grants:

1. Reporting Period : ..................to ..................

2. List of expenditures per SP2D is attached
   a. Number of SP2Ds covered : .................
   b. Number of pages of SOE/Form1C2 : ............

3. Total Expenditures for block grants: Rp. ..........................

4. Reimbursement being requested
   ______ % x Rp. .......................... : Rp. ..........................

We hereby certify that the above expenditures:

a. Were incurred for the purposes of providing Kecamatan Grants to Beneficiaries under the Project, to finance Sub-projects prepared and selected in accordance with the Eligibility Criteria set forth in the Loan Agreement, the Project Manual, and any applicable Supplemental Manual;
b. Represent actual amounts of Kecamatan grants transferred to the community beneficiaries;
c. Were paid using the government’s internal funds and each individual expenditure is supported with duly authorized SP2D or bank statement in the currency and amount claimed above; and
d. Are eligible for reimbursement.

All SP2D copies are retained at the PMU in Jakarta and other supporting documents are retained at the community beneficiaries for at least the life of the project plus a year to facilitate the financial audit of the loan and the sub-projects financed under the Kecamatan grants. These documents shall be made available for review by the World Bank and/or its representatives and by the external auditors of the project.

Jakarta, ......................

MOHA
(__________________________)