May 25, 2011

Mr. Rahmat Waluyanto
Director General of Debt Management
Ministry of Finance
Jalan Lapangan Banteng Timur 2-4
Jakarta 10710

Dear Mr. Waluyanto:

Re: Technical Assistance to Indonesia Tax Administration Reform under the Public Financial Management Multi Donor Trust Fund TF093998 – Amendment No. 3

We refer to the Grant Agreement dated April 22, 2009, as amended through September 6, 2010, between the Republic of Indonesia (the Recipient) and the International Bank for Reconstruction and Development (the World Bank), as administrator of grant funds provided by the Commission of the European Communities and the Netherlands Minister for Development Cooperation for the Public Financial Management Multi-Donor Trust Fund (Parent Trust Fund No. TF070661), for the above-captioned project (the Grant Agreement), and to your letter, dated May 9, 2011, requesting cancellation of $700,000 of the Grant and corresponding amendment of the Grant Agreement.

The World Bank has agreed with your request, and, accordingly, proposes to amend the Grant Agreement as set out below.

1. The amount of the Grant is reduced by the cancelled amount of seven hundred thousand United States Dollars (US$700,000). The total amount of the Grant, following the cancellation, is one million six hundred forty three thousand two hundred United States Dollars (US$1,643,200). All terms and conditions applicable to the Grant, as set out in the Grant Agreement, remain in full force and effect.

2. Part 1 of the Project (Automation and Clean Up of Tax Data) as described in Section 2.01 of the Annex to the Grant Agreement will no longer be part of the Project and is hereby deleted and the subsequent Parts re-numbered accordingly. In addition, a new sub-activity is added to the Implementation Support activities (re-numbered Part 2) to provide for capacity building and training related to the Project objectives. Section 2.01 of the Annex is amended and restated as set out below:
“(i) **Part 1 — Diagnostic Measure.** Carrying out of diagnostic measures and program definitions to strengthen criminal investigations of tax fraud, and scoping of a reform project with the Directorate of Intelligence and Investigation focusing on: (a) optimization of the organizational structure of the Directorate of Intelligence and Investigation; (b) improvement of human resource management; and (c) support for investigation technology requirements, for improved tax administration/and improved tax compliance.

(ii) **Part 2 — Implementation Support.** Providing implementation support, capacity building and training to strengthen the capacity of the DGT to carry out procurement activities and tax-related research and analysis, including tax reform, taxpayer risk assessment, tax gap and sector compliance analysis, and impact evaluation of tax policy changes.

(iii) **Part 3 — Knowledge Management.** Adoption of knowledge management concepts as one of the key strategic action plans, including the development of knowledge management analysis document and implementation roadmap to enhance productivity and effectiveness in the areas of audit, tax administration, tax compliance and investment climate by offering improved customer service to businesses.

(iv) **Part 4 — Procurement Assistance.** Provision of technical and procurement support during the PINTAR contract selection process to the procurement committee established under PINTAR.”

3. The table in Section 3.01 of the Annex to the Grant Agreement is amended as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services and training *</td>
<td>1,643,200</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,643,200</td>
<td></td>
</tr>
</tbody>
</table>

*For the purposes of this table, the term “training” means training, courses and workshops related to the objectives of the Project conducted in or outside of the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees (but excluding salaries of staff and officials of the Recipient).
Except as specifically amended by the provisions of this letter of amendment, all terms and conditions of the Grant Agreement otherwise remain in full force and effect.

Please confirm you agreement to the foregoing by signing and dating both enclosed copies of this letter in the space provided and returning one signed copy to us. The above amendment will become effective as of the date of the Recipient’s countersignature of this letter.

Sincerely yours,

/s/ Chris Hoban
Acting Country Director, Indonesia

AGREED:

REPUBLIC OF INDONESIA

By:/s/ Rahmat Waluyanto
Authorized Representative

Name: Rahmat Waluyanto
Title: Director General of Debt Management
Date: May 27, 2011