H.E. Sudirman Said  
Minister of Energy and Mineral Resources  
Ministry of Energy and Mineral Resources  
Jl. Merdeka Selatan 18  
Jakarta 10110  
Indonesia

Dear Minister Said:

Re: Indonesia Infrastructure Support (INIS) Trust Fund Grant No TF0A0405
Improving Energy Project Delivery Project

In response to the request for financial assistance made by the Ministry of Energy and Mineral Resources on behalf of the Republic of Indonesia (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association (“World Bank”), acting as administrator of grant funds provided by the Government of Australia, acting through the Department of Foreign Affairs and Trade (“Donor”) under the Indonesia Infrastructure Support Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed one million five hundred thousand United States Dollars (U.S.$1,500,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached annexes, to assist in the financing of the project described in the Annex to this Agreement (“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.

In providing this Grant, the World Bank is relying on the representations made by the Recipient through the letter of the Ministry of Finance of the Republic of Indonesia No. S-100/PR.2/2015 dated March 19, 2015, and the Legal Opinion provided by the Ministry of Energy and Mineral Resources dated June 7, 2015 in which the Ministry of Finance and the Ministry of Energy and Mineral Resources of the Republic of Indonesia confirmed, among other statements, that the Ministry of Energy and Mineral Resources can legally represent the Recipient in order to enter into a Grant Agreement with the World Bank and that should the Bank require so under the terms and conditions of this Agreement, as a consequence of this Agreement, the Recipient can refund funds to the World Bank under the legal framework applicable to the Recipient.
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 to 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. This Agreement shall become effective upon receipt by the World Bank of: (i) this countersigned copy; (ii) the Recipient’s Project Operations Manual satisfactory to the Bank; and (iii) a legal opinion satisfactory to the Bank, of counsel acceptable to the Bank, stating that this Agreement has been duly authorized by, and executed and delivered on behalf of the Recipient, and is legally binding upon the Recipient in accordance with the Agreement’s terms. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION

Josephine Bassillette
Acting Country Director, Indonesia

AGREED:
REPUBLIC OF INDONESIA

By:
Authorized Representative

Name: Sudirman Said
Title: Minister of Energy and Mineral Resources
Date: June 10, 2015

Enclosures:

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


INIS Grant No. TF0A0405
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **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.

(a) "MEMR" means the Recipient’s Ministry of Energy and Mineral Resources, or any successor thereto.

(b) "Procurement Plan" means the Recipient’s procurement plan for the Project, dated May 18, 2015 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.

(c) "Performance Management Unit" or "PMU" means the Recipient’s unit established under the Decree of the Minister of Energy and Mineral Resources No. 4064 K/73/MEM/2014, or any successor thereto.

(d) "Project Operations Manual" means the operations manual to be prepared by the Recipient, acceptable to the World Bank, meeting the requirements set forth in Section 2.03(b) of this Annex.

(e) "World Bank’s Safeguard Policies" means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 published at www.worldbank.org/opmanual.

Article II
Project Execution

2.01. **Project Objectives and Description.**

The objective of the Project is to support the Recipient’s efforts to promote transparency and good governance in energy project delivery.

The Project consists of the following part:
Providing operational support to the PMU and technical assistance in undertaking an assessment of implementation issues with the delivery of priority energy projects and in facilitating early approval by relevant ministries and agencies of the Recipient.

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 through the PMU in accordance with the provisions of: (a) 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 maintain the PMU throughout the implementation period of the Project, with an institutional framework, functions, and resources, including competent personnel in adequate numbers and working under terms of reference satisfactory to the World Bank.

(b) Implementation Arrangements. The Recipient shall adopt and thereafter implement the Project in accordance with the Project Operations Manual, including all annexes and supplements thereto, acceptable to the World Bank and the Recipient, giving details of (i) institutional and implementation arrangements set out in Section 2.03(a) of this Annex; (ii) procurement procedures as set forth in Section 2.07 of this Annex; and (iii) reporting requirements, financial management procedures and audit procedures as set forth in Sections 2.05 and 2.06 of this Annex. Such manual may be amended or updated from time to time by agreement in writing between the World Bank and the Recipient.

(c) Safeguards. The Recipient shall ensure that the terms of reference for any consultancies related to technical assistance and/or capacity building activities under this Agreement shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank’s Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance and/or capacity building activities.

2.04 Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05 Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.06. **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 audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **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:


(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 (revised July 2014) (“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 which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

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

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-source procedures for the 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

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) 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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services, training, workshops and study tours, and incremental operating costs</td>
<td>1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,500,000</td>
<td></td>
</tr>
</tbody>
</table>
*For the purposes of this table, the following terms shall have the following meanings: (i) “Training, Workshops and Study Tours” means Project-related reasonable expenditures related to the carrying out of training and workshops activities conducted in and outside the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; and (ii) “Incremental Operating Costs” means reasonable incremental costs arising under the Project on account of local contractual support staff salaries; travel and other travel-related expenditures; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance; materials and supplies; utilities and communications expenses; bank charges; and advertising expenses, but excluding salaries and honoraria of officials and staff of the Recipient.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 15, 2016.

**Article IV**
**Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Recipient’s Minister of Energy and Mineral Resources.

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

Ministry of Energy and Mineral Resources
Jl. Merdeka Selatan 18
Jakarta 10110
Indonesia

4.03. **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/International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)