Geothermal Development in Indonesia: Technical Assistance for Capacity Building Trust Fund Grant Agreement

(Geothermal Development in Indonesia: Technical Assistance for Capacity Building Project, in Support of the Geothermal Clean Energy Investment Project)

between

PT PERTAMINA GEOTHERMAL ENERGY

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as administrator of

the Geothermal Development in Indonesia: Technical Assistance for Capacity Building Trust Fund

Dated May 24, 2012
GRANT NUMBER TF011854-ID

GEOTHERMAL DEVELOPMENT IN INDONESIA:
TECHNICAL ASSISTANCE FOR CAPACITY BUILDING
TRUST FUND GRANT AGREEMENT

AGREEMENT dated MAY 24, 2012, entered into between: PT PERTAMINA GEOTHERMAL ENERGY (“Recipient”); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as administrator of grant funds provided by the Government of New Zealand (“Donor”), represented by its Ministry of Foreign Affairs and Trade, New Zealand Aid Program, under the Geothermal Development in Indonesia: Technical Assistance for Capacity Building Trust Fund.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, in the Loan Agreement, or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”), which supports the Geothermal Clean Energy Investment Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Cable: INTBAFRAD 248423 (MCI) or 1-202-477-6391
Telex: Washington, D.C. 64145 (MCI)
Facsimile:

AGREED at Jakarta, Indonesia, as of the day and year first above written.

PT PERTAMINA GEOTHERMAL ENERGY

By

AUTHORIZED REPRESENTATIVE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as administrator of the Geothermal Development in Indonesia: Technical Assistance for Capacity Building Trust Fund

By

AUTHORIZED REPRESENTATIVE
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to six million nine hundred fifty thousand Dollars ($6,950,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, 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.

Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its President Director.

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

Menara Cakrawala Building
15th Floor
Jl. MH Thamrin No. 9
Jakarta 10340
Indonesia

Facsimile:

62-21-3983-3230

4.03. 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
SCHEDULE 1

Project Description

The objectives of the Project are to increase power generation from renewable
geothermal resources and reduce local and global environmental impacts.

The Project consists of the following parts:

1. **Technical Collaboration Partnership**: Establishment of a long-term technical collaboration with a consortium of reputable organizations covering the required fields of expertise in relation to geothermal power, to provide structured and just-in-time support and on-the-job training to the Recipient.

2. **Training Program and Expertise Development**: Carrying out of a training program to provide basic skills to new entrants and upgrade the skills of existing specialists to optimally develop the Recipient’s geothermal resources, meeting the Recipient’s medium- and long-term core business and management competency needs to implement ongoing and future projects and subsequently to operate and maintain the relevant assets.

3. **Information Technology Capacity Upgrade**: Acquisition of computer-based tools and operational methodologies for purposes of improving the Recipient’s capacity to implement its geothermal development program, including the acquisition of equipment and software, the development of new methodologies and systems, and the carrying out of training in the use of such software.

4. **Incremental Capacity Building of the Project Implementation Unit**: Provision of incremental support to the Recipient’s project implementation unit established to implement all externally financed loans (including those made by the World Bank), including from experts in project management, procurement, and other fiduciary and safeguards matters, to ensure smooth, timely, and effective implementation of projects.

5. **Preparation of New Investments**: Provision of technical assistance to prepare future investments to develop the Recipient’s geothermal resources in an efficient and timely manner, including in relation to feasibility studies, environmental and social impact assessments, and front-end engineering designs, including preparation of the front-end engineering design for one (1) of the geothermal fields supported under the Geothermal Clean Energy Investment Project and the complete preparation of another geothermal development initiative.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements; Anti-corruption; Project Implementation Plan; Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of Sections I.A.3 and 4, I.C.3 and 4, I.D.1 (a) (ii) and 2, and I.E.1, 8, 10, 11, 12, and 13 of the Schedule to the Project Agreement, which are hereby incorporated by reference in this Part A (and the capitalized terms used in said Sections have the meanings ascribed to them in said Agreement, with the following modifications) and shall apply, mutatis mutandis, to the Grant, and the Recipient hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement:

(a) “Bank” means the World Bank, acting as administrator of grant funds provided by the Government of New Zealand, represented by its Ministry of Foreign Affairs and Trade, New Zealand Aid Program, under the Geothermal Development in Indonesia: Technical Assistance for Capacity Building Trust Fund;

(b) “Governance and Accountability Framework” means the Recipient’s framework, dated April 16, 2012 and adopted pursuant to its Decree No. Kpts-478/PGE000/2012-S0, agreed with the World Bank and setting out measures to reinforce Project governance, enhance the transparency of Project activities, increase public accountability, and reduce opportunities for collusion, corruption, or fraud under the Project and including an action plan for such purpose, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such framework;

(c) “Project” means the project described in Schedule 1 to this Agreement; and

(d) “Project Implementation Plan” means the Recipient’s plan, dated April 16, 2012 and adopted pursuant to its Decree No. Kpts-478/PGE000/2012-S0, agreed with the World Bank and setting out implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements and a time-bound roadmap for purposes of Project implementation, and including the Governance and Accountability Framework, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plan.
2. For greater clarity and the avoidance of doubt, in view of the incorporation of Sections I.A.3 and 4, I.C. 3 and 4, I.D.1 (a) (ii) and 2, and I.E.1, 8, 10, 11, 12, and 13 of the Schedule to the Project Agreement in this Agreement pursuant to the preceding paragraph, if the Project Agreement terminates prior to the termination of this Agreement, such termination shall have no effect for purposes of this Agreement, and the provisions of the Project Agreement incorporated in this Agreement pursuant to the preceding paragraph shall continue in full force and effect between the Recipient and the World Bank for purposes of this Agreement following and notwithstanding such termination of the Project Agreement.

3. The Recipient shall:

(a) ensure that the terms of reference for the preparation of any environmental and social impact assessments and other safeguards instruments prepared under Part 5 of the Project, as well as all such instruments, are: (i) in form and substance satisfactory to the World Bank and that all such instruments are also consistent with the laws of the Republic of Indonesia; and (ii) except as otherwise agreed with the World Bank, submitted to the World Bank for review and approval; and

(b) thereafter adopt and locally disclose all such instruments.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of 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 the Governance and Accountability Framework.

C. Donor Visit

1. 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.

2. 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 Project site for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation
A. Project Reports; Completion Report

1. (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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar quarter, 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 indicators referred to above in sub-paragraph (a) consist of the following:

(i) contribution towards the Recipient becoming a leading geothermal developer;

(ii) application of project preparation practices in line with industry standards; and

(iii) maintenance of operational availability of the Recipient’s geothermal power plants.

2. The Recipient shall review jointly with the World Bank, on a semi-annual basis commencing six (6) months after the effectiveness of this Agreement, or such later date as the World Bank shall request, progress in Project implementation, and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such review and the Recipient’s and the World Bank’s views on the matter.

3. 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.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall maintain financial management systems and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations and financial condition of the Recipient, including the operations, resources, and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the World Bank, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the
Project covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have the financial statements referred to in paragraph 1 of this Part B audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Recipient. The Recipient shall ensure that the audited financial statements for each period shall be: (a) furnished to the World Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the World Bank.

4. The Recipient shall: (a) furnish for review to the World Bank, not later than April 30 in each calendar year throughout Project implementation, a five (5) year financial plan comprising forecast income statements, funds flow statements, and balance sheets for the ongoing fiscal year and the following four (4) fiscal years; and (b) thereafter revise such plan and take all measures required to ensure its implementation, based on the World Bank’s views on the matter.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. 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:

(a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods and non-consulting-services;

(b) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(c) the provisions of this Section III, 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 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in 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 the Procurement Guidelines or the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods and Non-consulting Services.** 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: (a) Shopping; and (b) Direct Contracting.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants’ Qualifications; (d) Single-source Selection; and (e) Selection of Individual Consultants.

D. **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.

**Section IV. Withdrawal of Grant Proceeds**

A. **General**

1. 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 table in paragraph 2 below.

2. The following table specifies the category of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocation of the
amount of the Grant to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the 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>Goods, non-consulting services, consultants’ services (including for audits), Training, and Operating Costs</td>
<td>6,950,000</td>
<td>100</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,950,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2015.
APPENDIX

Definitions

1. “Geothermal Clean Energy Investment Project” means the project described in Schedule 1 to the Loan Agreement (as hereinafter defined), the objectives of which are to increase power generation from renewable geothermal resources and reduce local and global environmental impacts.


3. “Project Agreement” means the project agreement dated March 27, 2012 among the World Bank, PT Pertamina (Persero) (as hereinafter defined), and the Recipient for the Geothermal Clean Energy Investment Project (Loan Number 8082-ID).

4. “PT Pertamina (Persero)” or “Pertamina” means the state-owned oil and gas enterprise established and operating pursuant to the Republic of Indonesia’s Government Regulation Number 31/2003 dated June 18, 2003, followed by Notarial Deed Number 20 dated September 17, 2003 of Lenny Janis Ishak, S.H., as approved by Ministry of Law and Human Rights Decision Letter Number C-24025 HT.01.01Th.2003, or any successor thereto.