Letter No. CD-029/WB/LSD/III/2019

March 11, 2019

Mr. Yusran Laitupa
Executive Director
Bursa Pengetahuan Kawasan Timur Indonesia (BaKTI)
Jl. A. Mappanyukki No. 32
Makassar 90125
Indonesia

Dear Mr. Laitupa:

Re: LSD Grant No TF0A9873
Indonesia: KIAT Guru Phase 2 – Improving Teacher Performance and Accountability
Letter Agreement

In response to the request for financial assistance made on behalf of Bursa Pengetahuan Kawasan Timur Indonesia (BaKTI) (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as administrator of grant funds provided by the United States Agency for International Development (“Donor” / “USAID”) under the USAID Support for the Local Service Delivery (“LSD”) Trust Fund (TF071562), proposes to extend to the Recipient for the benefit of the Republic of Indonesia (“Member Country”), a grant in an amount not to exceed one million three hundred and forty eight thousand United States Dollars (USD 1,348,000) (“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 Donors. 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 Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such fund.

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.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Rodrigo A. Chaves

By______________________
Rodrigo A. Chaves
Country Director for Indonesia and Timor-Leste

AGREED:
BURSA PENGETAHUAN KAWASAN TIMUR INDONESIA (BaKTI)

By______________________
Authorized Representative
Yusran Laitupa

Name______________________
Title______________________
Date__________

Enclosures:
(2) Disbursement Letter of the same date as this Agreement, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017
ANNEX

Article I
Standard Conditions; Definitions


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, as follows:

“KIAT Guru - Phase 1 Schools” means the beneficiary schools under the “KIAT Guru: Improving Teacher Performance and Accountability Project”, financed by the World Bank under the Letter Agreement dated June 30, 2016 entered into between the Recipient and the World Bank.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve teacher presence and teacher service performance in pilot schools.

The Project consists of the following parts:

(a) provision of technical assistance for the Member Country’s Ministry of Education and Culture and municipality/district governments: (i) to revise the regulatory umbrella to tie teacher special allowance (Tunjangan Khusus Guru) with teacher presence; and (ii) to enhance the support for KIAT Guru Phase 1 schools under the KIAT Guru Phase 2 scope and to conduct implementation of KIAT Guru Phase 2 interventions in additional schools;

(b) development of training modules and provision of capacity development trainings for stakeholders from selected schools;

(c) development, upgrade, piloting, and provision of capacity development training of the KIAT App and the management information system, including, *inter alia*, to evaluate teacher presence and performance and handle complaints;

(d) identify and test mechanisms (i) to expand the Project in selected secondary schools; and (ii) on the use of teacher professional allowance (Tunjangan Profesi Guru) in urban locations of the municipality/district governments; and

(e) provision of support for Project management and monitoring.
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 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 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.**

**Project steering committee**

(a) For purposes of Project oversight, implementation and coordination, the Recipient shall maintain throughout the period of Project implementation:

(i) a Project steering committee, chaired by echelon-1 representatives of the Member Country’s Ministry of Education and Culture and National Team for Acceleration of Poverty Reduction, and having composition and functions satisfactory to the World Bank, such functions to include facilitation of inter-ministerial cooperation and coordination, provision of oversight and policy guidance, monitoring of Project implementation, preparation and recommendation of relevant regulations/decrees, and resolving of outstanding issues;

(ii) a sub-national coordination team, in each pilot municipality/district, chaired by the head of municipality/district, and having composition and functions satisfactory to the World Bank, such functions to include the preparation and recommendation of relevant regulations/decrees, selection of pilot schools, dissemination of information on the interventions to the pilot schools, provision of support for and monitoring of Project implementation, addressing of Project implementation challenges, complaint-handling, and provision of policy recommendations for the national government at the end of the Project.

**Project Operations Manual**

(b) The Recipient shall adopt, by one (1) month after the date of this Agreement, and ensure that the Project is carried out in accordance with the Project operations manual (“Project Operations Manual”), acceptable to the World Bank, giving details of guidelines and procedures agreed with the World Bank for the implementation, supervision, and monitoring and evaluation of the Project, including: (i) details of activities; (ii) details of implementation arrangements, including the criteria and procedures for the selection of pilot schools; (iii) details of procurement procedures and standard procurement documentation; (iv) details of financial management and audit procedures; (v) reporting, monitoring and evaluation requirements; (vi) key guidelines and principles for environmental and social management; (vii) Project performance indicators; (viii) flow and disbursement arrangements of Project funds; and (ix) the selection criteria, detailed rules and procedures for the provision of grants to schools under part (e) of the Project.
(c) Except as the Recipient and the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, any provision of the Project Operations Manual.

(d) In the event of a conflict between the provisions of such Project Operations Manual and those of this Agreement, the latter shall govern.

Environmental and Social Safeguards

(e) The Recipient shall ensure that: (a) all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the World Bank’s environmental and social safeguards policies, as well as the Member Country’s own laws relating to the environment and social aspects, including meaningful engagement with stakeholders, accessible information for indigenous peoples and other stakeholders and effective complaint handling mechanisms; and (b) in drafting any guidelines or procedures and carrying out capacity building activities under the Project, due attention is given to said policies and laws.

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 Member Country’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 the indicators set forth in the Project Operations Manual. Each Project Report shall cover the period of one 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. 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.

2.07. **Procurement**

All goods, non-consulting services and consulting 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 the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016, revised November 2017 and August 2018 (“Procurement Regulations”), and the provisions of the Recipient’s procurement plan for the Project (“Procurement Plan”) dated March 6, 2019 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with 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 “Disbursement Guidelines for Investment Project Financing”, dated February 2017, 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 Portion A the Grant Allocated TF071562 (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, Non-consulting services, Consulting services, Training and Workshops and Incremental Operating Costs for the Project</td>
<td>1,348,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,348,000</td>
<td></td>
</tr>
</tbody>
</table>
For the purposes of this paragraph, the following terms shall have the following meanings: (i) “Training and Workshops” means reasonable costs of expenditures incurred by the Recipient in facilitating and carrying out of training and workshop activities, including purchase and publication of materials, rental of facilities and equipment, course fees and travel and subsistence of trainees; and (ii) “Incremental Operating Costs” means reasonable incremental operating costs under the Project incurred by the Recipient for purposes of Project management, implementation and monitoring and evaluation, including 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 communication expenses, consumables, bank charges and advertising expenses, but excluding salaries and honoraria of officials and staff of the Member Country.

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, except that withdrawals up to an aggregate amount not to exceed one hundred thousand United States Dollars (USD 100,000) may be made for payments made prior to this date but on or after March 31, 2019, for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 15, 2019.

**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 its Executive Director.

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

Jl. A. Mappanyukki No. 32
Makassar 90125
Indonesia

Facsimile: 62-411-852146

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
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile: 1-202-477-6391