Mr. Robert Pakpahan  
Director General of Debt Management  
Ministry of Finance  
Gedung Frans Seda  
Jalan DR. Wahidin Raya No. 1  
Jakarta 10710  
Indonesia

Dear Mr. Pakpahan:

Re: Indonesia Infrastructure Support Grant No. TF016825 - Technical Assistance for the Surabaya Urban Transport Corridor Development Project

In response to the request for financial assistance made on behalf of the Republic of Indonesia (the "Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development (the "World Bank"), acting as administrator of grant funds provided by the Government of Australia (the "Donor") under the Indonesia Infrastructure Support Trust Fund (INIS), proposes to extend to the Recipient, a grant in an amount not to exceed one million two hundred fifty thousand United States Dollars (U.S.$1,250,000) ("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 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.

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. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Rodrigo A. Chaves
Country Director, Indonesia

 AGREED:
REPUBLIC OF INDONESIA

By: ____________________________
Authorised Representative

Name: Robert Pakpahan

Title: Director General of Debt Management

Date: June 16, 2014

Enclosures:


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

(a) "Bappenas" means the Recipient’s National Development Planning Agency or any successor thereto.

(b) "City of Surabaya" means the city of Surabaya, in the province of East Java, Republic of Indonesia.

(c) "Project Coordination Team" means the team of Bappenas consisting of the Director of Transport of Bappenas, and staff from the Directorate of Transport of Bappenas, responsible for the overall management of Project implementation, including financial management and procurement arrangements and budget executions.

(d) Project Working Group” means a group chaired by the Director of Transport of Bappenas and including representatives of the City of Surabaya, the Recipient’s Ministry of Transportation and other relevant Ministries of the Recipient, and responsible for ensuring continued coordination between local and national agencies of the Recipient and for monitoring and overseeing the progress of the Project.

(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 provide technical assistance to the Recipient to conduct a feasibility study to support the development of a mass rapid transit system in Surabaya, which aims: (i) to facilitate improvements in accessibility and mobility in Surabaya, and: (ii) to strengthen the capacity for integrated urban transport planning and management in the territory of the Recipient, particularly for implementing agencies such as the Directorate for Transport of Bappenas and the City of Surabaya.

The Project consists of the following parts:

(a) **Feasibility Analysis**

(i) Ascertain best mass transit alignments, alternative investment options and sequencing.

(ii) Review, and revise where necessary, the demand forecasts and travel patterns along ascertained mass transit alignments.

(iii) Conduct an economic cost-benefit analysis and assess financial and technical feasibility of transport technology.

(b) **Reference Design and Institutional Support**

(i) Develop a reference design for core components of chosen routes, stations, and corridor improvements.

(ii) Propose associated institutional reforms required to ensure quality operations and management of the Surabaya transport system.

(iii) Carry out environmental and social impact assessments and develop the relevant framework(s) and plan(s) consistent with the safeguards policies of various development partners, including the World Bank's Safeguard Policies, and including, *inter alia*, an environmental and social impact assessment, and environmental and social management plan (including a plan for physical cultural resources management), and a draft land acquisition and resettlement plan. Carry out capacity building activities related to the preparation of the above referred assessments, frameworks and plans.

(iv) Draft pre-qualification documents and bid documents for a detailed design and/or a design, build, own or transfer (DBOT) contract, depending on the City of Surabaya's chosen development and procurement strategy.

(v) Assess regulatory environment and institutional setting to create a supporting environment for urban corridor management.
2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall, through Bappenas, 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.**

(a) **Institutional Arrangements**

(i) The Recipient, through Bappenas, shall maintain the Project Coordination Team 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.

(ii) The Recipient shall, through Bappenas, maintain the Project Working Group, whose mandate, composition and terms of reference shall be satisfactory to the World Bank, in order to ensure continued coordination between local and national agencies of the Recipient, and to monitor and oversee the progress of the Project.

(iii) Without limitation to the provisions of Section 2.02 of this Annex, the Recipient shall, through Bappenas: (i) coordinate with the City of Surabaya in the implementation of the Project; and (ii) collaborate with the Project Working Group to allow said committee to monitor and oversee the progress of the Project.

(b) **Safeguards**

The Recipient, through Bappenas, shall ensure that the terms of reference for any consultancies related to feasibility studies, 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 studies, technical assistance and/or capacity building activities.

2.04. **Donor 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, through Bappenas, 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 paragraph (b) of this Section. 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 performance indicators referred to above in paragraph (a) consist of the following:

(i) A completed feasibility analysis under Part 2.01 (a) of the Project satisfactory to the City of Surabaya, as a basis for initiating the activities under Part 2.01 (b) of the Project.

(ii) A completed feasibility report, satisfactory to the City of Surabaya as a basis for tendering the desired follow on investments and the preparation thereof; and

(iii) Recommended institutional framework and related actions and decisions by the City of Surabaya to execute the plans agreed to under the feasibility report.

(c) The Recipient, through Bappenas, 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, through Bappenas, 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, through Bappenas, 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 (1) fiscal year of the Recipient. The audited Financial Statements for each 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 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:

(i) 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 (“Consultant Guidelines”) in the case of consultants’ services; and
(ii) 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, III, IV and V of the Consultant Guidelines.

(c) 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 under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the 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.

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) 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 100% of Eligible Expenditures consisting of consultants’ services, inclusive of Taxes.

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 countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.
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 Minister of Finance.

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

Ministry of Finance  
c/o Director General of Debt Management  
Gedung Frans Seda  
Jalan DR. Wahidin Raya No. 1  
Jakarta 10710  
Indonesia

Cable address: FINMINISTRY  
Facsimile: 45799  
Jakarta  
(62-21) 381 2859

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

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