Indonesia Infrastructure Finance Development
Grant Agreement

(Indonesia Infrastructure Finance Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as Administrator of the Indonesia Infrastructure Finance Development

Dated April 25, 2016
INDONESIA INFRASTRUCTURE FINANCE DEVELOPMENT
GRANT AGREEMENT

AGREEMENT dated April 25, 2016, entered into between:

REPUBLIC OF INDONESIA ("Recipient"); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"),
acting as administrator of the Indonesia Infrastructure Finance Development ("Trust Fund").

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the Project
described in Schedule 1 to this Agreement, has requested the World Bank, acting as administrator of
the Trust Fund, to extend a grant in the amount of eight million two hundred and eighty thousand
United States Dollars ($8,280,000) to assist in the financing of the Project;

(B) the Recipient acknowledges that as of the date of this Agreement, the Trust Fund has made
available a grant in the amount of only two million four hundred and fifty thousand United States
Dollars ($2,450,000) as provided in Section 3.01 of this Agreement, and that the World Bank will
increase the grant amount for the Project up to eight million two hundred and eighty thousand United
States Dollars ($8,280,000) if and when the Trust Fund has made available additional funds for the
such purpose.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. 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. 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.

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"). 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.
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 two million four hundred and fifty thousand United States Dollars ($2,450,000) ("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 donors 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 donors 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 the Recipient’s Minister of Finance.

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

Directorate General of Budget Financing and Risk Management
Gedung Frans Seda
Jl. DR. Wahidin Raya No. 1
Jakarta 10710
Indonesia

Telex: 457999  Facsimile: 62-21-381-2859

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

Telex: 248423 (MCI) or 64145 (MCI)  Facsimile: 1-202-477-6391
AGREED at Jakarta, Indonesia, as of the day and year first above written.

REPUBLIC OF INDONESIA

By

[Signature]

Authorized Representative

Name: Robert Pakpahan

Director General of Budget

Title: Financing and Risk Management

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as administrator of
the Indonesia Infrastructure Finance Development

By

[Signature]

Authorized Representative

Name: Rodrigo A. Claves

Title: Country Director, Indonesia
SCHEDULE 1
Project Description

The objective of the Project is to assist the Recipient in closing its large public infrastructure gap by supporting the flow of private capital into infrastructure development and improving the institutional, legal and regulatory framework to enhance the ability of private capital and public institutions to work together for infrastructure development.

The Project consists of the following parts:

Part 1. Strengthening Agencies

(a) Providing support for the establishment and operations of the public-private partnership unit of the Ministry of Finance and relevant key entities under the public-private partnership framework.

(b) Providing support for the Recipient’s contracting agencies in producing high quality outline business case for submission to Key Agencies and better selection criteria for more efficient investment projects.

(c) Improving capacity of the Recipient’s agencies involved in the selection and prioritization of public-private partnership projects through training, twinning arrangements and secondment of staff across agencies.

Part 2. Improving Legal and Regulatory Frameworks

(a) Improving regulatory frameworks supporting public-private partnership, including reviewing regulations, drafting regulations and amendments to regulations.

(b) Providing support for the implementation of recommendations from the regulatory review on infrastructure policy linked to the Recipient’s national investment priority and access to long-term financial resources from national and international markets.

Part 3. Project Selection, Preparation and Transaction

(a) Providing support to the Recipient’s contracting agencies to make better use of the Project Development Fund and other public-private partnership’s supporting instruments.

(b) Providing technical support to move a public-private partnership project from concept stage through implementation, including technical inputs and guidance on project identification, selections, preparation, technical analysis on financial deal structure by preparing the outline business case and final business case, assessing the plan on land use and its social impacts, standardizing and preparing tender documentation, market sounding, assessing the risk profile and carrying out risk management, preparing the transaction for the market and following through on deal bid.

(c) Selecting and providing support for pilot projects.
Part 4. Inter-agency Coordination

(a) Facilitating coordination among Recipient’s stakeholders involved in public-private partnership development.

(b) Providing support to clarify and strengthen the roles and responsibilities of the Recipient’s national agencies working on infrastructure development and enable better coordination among stakeholders.
SCHEDULE 2
Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements.

1. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall establish and thereafter maintain throughout the Project implementation period, the Project Management Unit under the Directorate of Government Support and Infrastructure Financing, provided with reasonable resources, including competent personnel in adequate numbers and working under terms of reference satisfactory to the World Bank, to be responsible for day-to-day implementation, quality assurance, procurement, financial management, monitoring and reporting of the Project.

2. The Recipient shall by no later than June 1 of each year, commencing in June 1, 2016, prepares and provides to the World Bank for its review and comment, an annual work plan for the next succeeding calendar year, together with the financing plan, including sources of funds, and thereafter implements in a manner satisfactory to the World Bank such annual work plan as shall have been agreed with the World Bank.

3. The Recipient shall: (a) adopt and ensure that the Project is carried out in accordance with the Project Operations Manual, acceptable to the Recipient and the 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) implementation arrangements; (ii) reporting, monitoring and evaluation requirements and financial management and audit procedures as set forth in Section II of this Schedule, as well as standard procurement documentation; (iii) Project performance indicators; (iv) criteria and procedures of the selection of pilot projects; and (v) details of the Environmental and Social Management Framework; and (b) except as the World Bank shall otherwise agree, not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, the aforementioned, or any provision thereof.

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

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”).

C. Donor Visibility and 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(s) to visit any part of the Recipient’s territory for purposes related to the Project.

D. Safeguards

1. The Recipient shall carry out the Project in accordance with the provisions of the Environmental and Social Management Framework, and except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, said instruments or any provision thereof.

2. In the event of a conflict between the provisions of the Environment and Social Management Framework and those of this Agreement, the latter shall govern.

3. Without limitation upon its other reporting obligations under Section II.B of this Schedule, the Recipient shall cause the Project Management Unit to collect and submit quarterly consolidated reports on compliance with Environmental and Social Management Framework, giving details of measures taken in furtherance of the Environmental and Social Management Framework, conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Environmental and Social Management Framework, and remedial measures taken or required to be taken to address such conditions.

4. 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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 calendar quarter, and shall be furnished to the World Bank not later than forty-five days after the end of the period covered by such report.

2. 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 months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project 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.

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:


   (b) 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 1.18 of the Procurement Guidelines and paragraph 1.25 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of 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) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set out in the Annex to this Schedule; (c) Shopping; and (d) 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) 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.

**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 100% of Eligible Expenditures consisting of goods, non-consulting services, consultants’ services, Training and Workshops, and Incremental Operating Costs under the Project, inclusive of Taxes.

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 December 31, 2020.
ANNEX TO SCHEDULE 2

National Competitive Bidding: Modifications to Procedures

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those of the Pelelangan Umum (Public Tendering) and Pemilihan Langsung / Pelelangan Sederhana (Simplified Tendering) methods as set forth in the Recipient’s Presidential Regulation No. 54/2010 and its subsequent amendments as of January 16, 2015, with the modifications set out below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. The Pemilihan Langsung / Pelelangan Sederhana method shall apply to such procurement up to the financial thresholds specified in said Regulation. In the event of a conflict between the Recipient’s procedures and these modifications, the latter shall govern.

1. Procuring entities shall use the appropriate standard bidding documents acceptable to the Recipient and the World Bank. The provisions of Section 1.16 (Fraud and Corruption) of the Procurement Guidelines shall apply, and each bidding document and contract financed out of the proceeds of the Grant shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of said Guidelines and the contract provisions set out in paragraph 1.16(e) of said Guidelines.

2. Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm determined to be the lowest evaluated responsive bidder shall be given reasonable time for registration. Foreign bidders shall not be required to form a joint venture or sub-contract part of the supply of goods, non-consulting services, and works as a condition for submitting bids or the award of the contract. Bidding documents shall be made available to all international bidders.

3. No preference of any kind shall be given to any bidders.

4. Under the Pelelangan Umum method, bidders shall be allowed at least twenty-one (21) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids; this period shall be ten (10) days under the Pemilihan Langsung / Pelelangan Sederhana method.

5. Bids invited under the Pelelangan Umum method shall be submitted in one (1) envelope and evaluated using post-qualification.

6. No bidder shall be rejected merely on the basis of a comparison with the owner’s estimate and budget ceiling without the World Bank’s prior written concurrence.

7. Bid security, if it is required by the bidding documents, at the bidder’s option, shall be in the form of a letter of credit or guarantee from a reputable bank or other reputable financial institution and shall without exception follow the form provided for this purpose in the bidding documents.
8. All bids shall not be rejected and new bids solicited without the World Bank’s prior written concurrence.

9. Government-owned enterprises in Indonesia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient or sub-grantees.
APPENDIX

Definitions

1. “Bappenas” means Badan Perencanaan Pembangunan Nasional or the Recipient’s agency responsible for national development planning, or any successor thereto.

2. “Coordinating Ministry of Economic Affairs” means the Recipient’s coordinating ministry responsible for economic affairs, or any successor thereto.


4. “Environmental and Social Management Framework” means the Recipient’s environmental and social management framework, disclosed on March 24, 2016 and agreed with the World Bank, setting out mitigation, enhancement, monitoring, and institutional measures to eliminate any adverse environmental and/or social impacts of the Project, or if such adverse impacts cannot be avoided altogether, reduce such impacts to acceptable levels, as the same may be updated from time to time in agreement with the World Bank.

5. “Incremental Operating Costs” means the incremental operating costs under the Project incurred by the Recipient for purposes of Project management, implementation and monitoring and evaluation, including office supplies and consumables, utilities, bank charges, communications, information and communication campaigns, mass media and printing services, vehicle rental, operation, maintenance and insurance, office space rental, building and equipment maintenance, travel, lodging, and subsistence allowances, auditing services for the Project, and salaries of contractual and temporary staff, but excluding salary and salary supplements of staff of the Recipient’s civil service and staff of the implementing agencies.

6. “Key Agencies” means the Recipient’s agencies responsible for selection and decision-making on outline business case and financial schemes for public-private partnership projects, consisting of KPPIP, Bappenas, Coordinating Ministry of Economic Affairs, and the Ministry of Finance.

7. “KPPIP” means Komite Percepatan Penyediaan Infrastruktur Prioritas, a Recipient’s committee responsible for acceleration of priority infrastructure delivery, or any successor thereto.

8. “Ministry of Finance” means the Recipient’s ministry responsible for finance, or any successor thereto.

9. “Project Management Unit” means the project management unit to be established in accordance with paragraph 1 of Section 1.A of Schedule 2 to this Agreement.
10. "Project Operations Manual" means the Project Operations Manual acceptable to the World Bank meeting the requirements set forth in paragraph 3 of Section I.A of Schedule 2 to this Agreement.

11. "Training and Workshops" means the reasonable costs of expenditure incurred by the Recipient in facilitating and carrying out domestic and overseas training, secondment and workshop activities of the Project, including costs of training or workshop materials; honoraria; interpretation and translation; equipment and venue rental; lunches and per diem; accommodation and transportation for those attending the training or workshop; but excluding salary and salary supplements of Recipient’s civil servants.