April 24, 2013

Mr. Lukita Dinarsyah Tuwo
Vice Minister of the National Development Planning as the
Chairman of the Board of Trustee
Millennium Challenge Account - Indonesia
Jalan Subang No. 10
Jakarta Pusat 10310

Dear Mr. Tuwo:

Trust Fund Administration Agreement between the Millennium Challenge Account –
Indonesia and the International Bank for Reconstruction and Development concerning
the Support Facility for National Program for Community
Empowerment (PSF) (TF No. 070967)

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development (“IBRD” or the “Bank”) that the Millennium Challenge Account - Indonesia (“MCA-I” or the “Provider”) shall allocate, from the grant provided by the United States of America, acting through the Millennium Challenge Corporation, as set out in the Millennium Challenge Compact dated November 19th, 2011, the sum of eighty nine million four hundred eighty five thousand United States dollars (US$89,485,000) (the “Allocation”) for the Support Facility for National Program for Community Empowerment (“PSF”) Trust Fund (the “Trust Fund”) in accordance with the terms of this Agreement. Other Providers are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Agreement.

2. The Allocation shall be used to finance the activities and the categories of expenditure set forth in the “Description of Activities and Expenditures under the PSF Trust Fund” attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Provider in accordance with the terms of this Agreement including the “Standard Provisions Applicable to the Trust Fund” (the “Standard Provisions”) attached hereto as Annex 2.

3. The Provider shall, using the disbursement mechanism set forth in Section 2.4(b) of the Compact between the United States of America, acting through the Millennium Challenge Corporation, and the Republic of Indonesia, dated November 19, 2011, ensure that a deposit of the Allocation, in installments, is made directly from the United States Treasury Account into such bank account designated by the Bank promptly: (a) following countersignature of this Agreement by the Provider and submission by the Bank of a payment request which shall be no greater than the accompanying six month expenditure forecast of the categories of expenditures set forth in Annex I.C below; and (b) at least every 6 months thereafter following submission by the Bank of the relevant payment request which shall be no greater than the accompanying six month expenditure forecast of the categories of expenditures set forth in Annex I.C below.
4. When making each such deposit, the Provider shall instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Provider for TF070967 (the Support Facility for National Program for Community Empowerment (PSF) Trust Fund), and the date of the deposit (the “Deposit Instruction”). In addition, the Provider shall provide a copy of the Provider Deposit Instruction to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

5. The Bank shall convert the Allocation funds into the holding currency of the Trust Fund, namely United States Dollars, promptly upon receipt of the Allocation funds and the Deposit Instruction containing the information specified in paragraph 4 at the exchange rate obtained by the Bank on the date of the conversion. Where the Allocation proves to be insufficient to complete the activities as a result of an exchange rate fluctuation, neither the Bank nor the Provider shall bear any responsibility for providing any additional financing.

6. Except as provided for in paragraph 4 above, any notice, request or other communication to be given or made under this Agreement shall be in writing and delivered by mail, facsimile or e-mail to the respective party’s address specified below or at such other address as such party notifies in writing to the other party from time to time:

For the Bank:

Mr. Jan Weetjens  
Sector Manager, Social Development – EASID  
The World Bank Office Jakarta  
Indonesia Stock Exchange Building Tower 2, 12th Floor  
Jl. Jendral Sudirman Kav. 52-53  
Jakarta 12190

Tel: (62) (21) 314-8175  
Fax: (62) (21) 529-93111  
E-mail: jweetjens@worldbank.org

For the Provider:

J.W. Saputro  
Executive Director  
MCA-Indonesia  
Jl. Subang No. 10  
Jakarta Pusat 10310

Tel: (62) (21) 390-9850  
Fax: (62) (21) 392-6425  
E-mail: saputro@mca-indonesia.go.id
7. All annexes hereto constitute an integral part of this Agreement. This Agreement may be amended only in writing between the Bank and the Provider; provided, however, that such annexes may be amended only with the agreement of all Providers contributing to the Trust Fund.

8. Please confirm your agreement with the foregoing, on behalf of the Provider, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by the Bank of the copy of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Yogana Prasta
Acting Country Director, Indonesia

AGREED:

MILLENNIUM CHALLENGE ACCOUNT – INDONESIA

By: Lukita DinarSyah Tuwo

Title: Vice Minister of National Development Planning as the Chairman of the Board of Trustee

Date: April 24, 2013
Description of Activities and Expenditures under the PSF Trust Fund

This Annex shall be applicable to and form an integral part of all agreements entered into between the Bank and entities (collectively, the “Providers”) that provide allocations (the aggregate of all allocations from the Providers, the “Allocations”) to be administered by the Bank for the Trust Fund.

A. DEFINITIONS

Unless the context otherwise requires, the several terms defined in the Trust Fund Administration Agreement have the respective meanings therein set forth, and the following additional terms and expressions have the following meanings:

(a) “Advisory Panel” means the Advisory Panel referred to in paragraph 7.4 of this Annex;
(b) “Bank-Executed Activities” means activities included in a Project, and to be executed by the Bank;
(c) “BAPPENAS” means Badan Perencanaan Pembangunan Nasional, the Republic of Indonesia’s National Development Planning Agency, and any successor thereto;
(d) “Allocation” means any allocation to the Trust Fund made by the Provider pursuant to an agreement between the Bank acting as trustee of the Trust Fund and the Provider;
(e) “Dollar” or “$” means the United States dollar;
(f) “Provider” means each Provider making a Allocation to the Trust Fund;
(g) “GOI” means Government of Indonesia;
(h) “Grant” means a grant made or proposed to be made by the Bank out of the resources of the Trust Fund to support a Recipient-Executed Activity;
(i) “Grant Agreement” means an agreement entered into, or proposed to be entered into, between the Bank and a Grant Recipient governing a Grant;
(j) “Grant Recipient” means the Republic of Indonesia or any agency of the Republic of Indonesia or any NGO or other entity, for the benefit of which any Grant has been, or is proposed to be, made;
(k) “Joint Management Committee” and “JMC” means the Joint Management Committee referred to in paragraph 7.1 of this Annex.
(l) “NGO” means non-governmental organization;
(m) "Operational Manual" means the Operational Manual to be approved and adopted by the JMC, giving details of operational guidelines and procedures governing the eligibility of funding under the Trust Fund, approval process, terms and conditions of Grants, transfer of funds, monitoring and supervision, and reporting obligations, as such Operational Manual may be amended from time to time with the agreement of the JMC;

(n) "PNPM" and "PNPM Mandiri" means Program Nasional Pemberdayaan Masyarakat Mandiri, the GOI’s National Program for Community Empowerment;

(o) "Project" means one or more PSF Trust Fund activities grouped in the form of a project which is the subject matter of a Proposal, and which has been, or is expected to be, endorsed by the Joint Management Committee, either specifically as a Project or as part of the funding for a group of Projects or “windows” for financing under the Trust Fund;

(p) "Proposal" means a proposal for Project, meeting the requirements set out in the Operations Manual;

(q) "PSF" means the PSF facility consisting of this Trust Fund and any other trust funds administered by the Bank and agreed by the Providers to be subject to the governance arrangements set out in the Operations Manual;

(r) "PSF Trust Fund Activity" means each activity for which an allocation is made out of the Trust Fund either specifically as a Project or as part of the funding for a group of Projects or “windows”, and may be Bank-Executed or Recipient-Executed;

(s) "Recipient-Executed Activities" means activities included in a Project, and to be executed by an entity other than the Bank;

(t) "Technical Committee" means the Technical Committee referred to in paragraph 7.2 of this Annex;

(u) "Technical Secretariat" means the Technical Secretariat referred to in paragraph 7.3 of this Annex; and

(v) "Trustee" means the Bank acting as Trustee of the Trust Fund.

B. DESCRIPTION OF ACTIVITIES

1. The purpose of the Trust Fund is to establish a common platform to mobilize Provider resources and channel financial assistance in support of the Republic of Indonesia’s efforts to reduce poverty through PNPM, through: (a) provision of strategic oversight of PNPM and related poverty reduction programs, and (b) coordination of Provider-provided grant funds.
2. The activities ("Activities") for which the Allocation is provided are as follows:

(a) Provision of support for small infrastructure investment works, social services projects and other community-led poverty reduction activities, through co-financing of Bank and International Development Association operations, and other investments, including provision of block grants for the benefit of communities.

(b) Provision of grants to intermediary NGOs and other civil society groups which engage in poverty reduction activities at grassroots level to be on-granted to groups which provide special services to poor communities, or to develop the capacity of such intermediary NGOs or groups to engage in such on-granting activities.

(c) Provision of technical advisory services and other material assistance to agencies of the Republic of Indonesia to support their long-term capacity to engage in the long-term management of the PNPM.

(d) Provision of technical advisory services to support PNPM-related special studies and programs, including establishment and operation of a partnership office for harmonization and coordination of PNPM-related programs and technical advisory services, monitoring and evaluation activities, special activities, workshops and facilitated comparative studies, as well as activities in support of national and local government poverty reduction programs or to develop the capacities of universities, think-tanks and other organizations likely to contribute to achievement of the purposes of the PNPM.

C. CATEGORIES OF EXPENDITURE

1. The Allocation will be used exclusively for the financing of the following categories:

(a) For Recipient-Executed Activities: consultants’ services, other services, goods, works, block grants (sub-grants), non-government organization/entity staff costs (excludes civil servant salaries), non-government organization/entity management fees (not to exceed 10% of the total amount of the grant to the recipient), training and workshop costs and operating costs; and

(b) For Bank-Executed Activities: communications and translation; consultants’ fees (individuals and firms); contractual services; equipment purchase; leased office premises and equipment; extended term consultants; field benefits; media, workshops/conferences and meetings; staff costs (salary + benefits + indirect costs); staff costs (salary + benefits); temporary staff costs; and travel expenses.

2. The foregoing categories of expenditures may include the financing of taxes.
D. Management of Trust Fund Operations

1. Joint Management Committee (JMC).

   (a) There shall be established a Joint Management Committee (JMC) to be chaired by BAPPENAS. Voting members of the JMC shall be BAPPENAS, the Bank, each Provider contributing at least US$1 million, and representatives from GOI agencies appointed from time to time by BAPPENAS.

   (b) The JMC is responsible for: (i) providing strategy development direction; (ii) supporting the GOI in promoting harmonization and coordination among all Indonesian poverty-reduction programs; (iii) reviewing and approving Project proposals concerning PSF Trust Fund Activity budget allocations; (iv) overall review of progress; and (v) adoption of the Operations Manual and any changes to it.

   (c) The JMC will determine its procedures and regulate its proceedings as set out in the Operations Manual.

2. Technical Committee.

   (a) There shall also be established a Technical Committee to be co-chaired by a representative of BAPPENAS and the chair of the Technical Secretariat. The co-chairs may invite additional individuals to participate as members of the Technical Committee for particular PSF Trust Fund Activity discussions, depending on the agenda of a specific meeting. Decisions regarding recommendations proposed to the Joint Management Committee will be made on a consensus basis among the co-chairs of the Technical Committee.

   (b) The Technical Committee will be responsible for: (i) designing appropriate interventions; (ii) monitoring/analyzing the findings of programmatic/technical evaluations of PNPM Mandiri activities and preparing associated recommendations for the Joint Management Committee’s consideration; (iii) contributing to the development of Project Proposals and endorsing them prior to the Joint Management Committee’s review; and (iv) updating the Operations Manual from time to time for approval by the Joint Management Committee and other PNPM Mandiri publications.

   (c) The Technical Committee will determine its procedures and regulate its proceedings as set out in the Operations Manual.

3. Technical Secretariat.

   (a) The Technical Committee will be supported by a Technical Secretariat at the World Bank Office Jakarta, consisting of a team of suitably qualified and experienced administrative and technical experts. The chair of the Technical Secretariat is appointed by the Joint Management Committee.
(b) The Technical Secretariat will be responsible for: (i) administering Grant Agreements issued through both the Trust Fund and any other PSF trust funds; (ii) developing/conducting evaluations and analytical work; (iii) coordinating program supervision missions and appraisals; (iv) providing operational and technical assistance to GOI agencies managing PNPM Mandiri programs; (v) preparing reports in accordance with the Operations Manual; (vi) preparing PSF annual work plans; and (vii) administering the Joint Management Committee meetings.

(c) The Technical Secretariat will determine its procedures and regulate its proceedings as set out in the Operations Manual.

4. Advisory Panel.

(a) The JMC may from time to time appoint an Advisory Panel consisting of Indonesian professionals noted for their expertise in poverty reduction and/or community empowerment issues to serve as individual advisors to the JMC.

(b) The terms of reference for the Advisory Panel will be developed by the Technical Committee with the support of the Technical Secretariat and will be approved by the JMC.

(c) The Advisory Panel will determine its procedures and regulate its proceedings as set out in the Operations Manual.

5. Endorsement of PSF Trust Fund Activities Proposals

(a) The resources of the Trust Fund shall be applied to provide funding for PSF Trust Fund Activities approved and allocated in accordance with the Operations Manual to finance activities which are of high priority, relevant to the development needs of Republic of Indonesia and consistent with the objectives of the PSF.

(b) Each PSF Trust Fund Activity or any modification thereto will be prepared and approved by the appropriate approving authority as set out in the Operations Manual.
ANNEX 2

Standard Provisions Applicable to the PSF Trust Fund
As Amended and Restated

This Annex shall be applicable to and form an integral part of all agreements entered into between the Bank and the Providers that provide Allocations to be administered by the Bank for the Trust Fund.

1. Administration of the Allocation

1.1. The Bank will be responsible only for performing those functions specifically set forth in this Trust Fund Administration Agreement and will not be subject to any other duties or responsibilities to the Provider, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Trust Fund Administration Agreement will be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2. The Allocation shall be administered in accordance with the Bank’s applicable policies and procedures, as the same may be amended from time to time, including its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank's obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the Charter of the United Nations. The Provider acknowledges that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to the Provider, nor shall it be deemed a waiver, express or implied, of any of the privileges and immunities of the Bank.

2. Commingling, Exchange and Investment of the Allocation

2.1. The Allocation funds may be commingled with other trust fund assets maintained by the Bank, but will be kept separate and apart from the funds of Bank.

2.2. The Allocation funds may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.3. The Bank will invest and reinvest the Allocation funds pending their disbursement in accordance with the Bank’s policies and procedures for the investment of trust funds administered by the Bank. The Bank will credit all income from such investment to the Trust Fund to be used for the same purposes as the Allocation funds.
3. **Administrative Cost Recovery**

In order to assist in the defrayment of the costs of administration of the Allocation funds and other expenses incurred by the Bank pursuant to this Trust Fund Administration Agreement, the Bank may, following deposit of the Allocation by the Provider, deduct from the Allocation and retain for the Bank’s own account an amount equal to one percent (1%) of the Allocation. In addition, costs for (a) incremental supervision activities and fiduciary and operational reviews; and (b) program management, including the operating costs of the Technical Secretariat up to a maximum of 5.24% will be charged to the Trust Fund on an actual basis. If the allocations increase beyond what was originally expected at the time of counter-signature of the first administration agreement, and the administrative costs increase as a result, the Providers acknowledge that an additional administrative fee may be applied to such new allocations.

4. **Grants to Recipients**

4.1. The Bank shall, as administrator of the Trust Fund on behalf of the Providers, enter into grant agreements (the “Grant Agreements”) with eligible recipients selected in accordance with the governance terms of Annex 1 (the “Recipients”) consistent with the purposes of this Agreement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into up to the maximum amount of the Allocations that all Providers have agreed to make available under the Administration Agreements between the Bank and the Providers. Upon request by a Provider, the Bank shall furnish a copy of the Grant Agreements to the Providers.

4.2. The Bank shall be responsible for the supervision of the activities financed under the Grant Agreements. Subject to the consent of the relevant Recipients, representatives of the Providers may be invited by the Bank to participate in Bank supervision missions related to the Trust Fund.

4.3. The Bank shall promptly inform the Providers of any significant modification to the terms of any Grant Agreements and of any contractual remedies that are exercised by the Bank under any Grant Agreements. To the extent practicable, the Bank shall afford the Providers the opportunity to exchange views before effecting any such modification or exercising any such remedy.

5. **Procurement**

5.1. For Recipient-executed activities, the Grant Agreements shall provide that the Allocations shall be used by the Recipients to finance expenditures for goods and services, as the case may be, in accordance with the Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the Bank’s Guidelines on the “Selection and Employment of Consultants by World Bank Borrowers,” as in effect at the date of entry into the respective Grant Agreements.

5.2. For Bank-executed activities, the employment and supervision of any consultants and the procurement of any goods financed by the Allocations shall be the responsibility of the Bank and shall be carried out in accordance with its applicable policies and procedures.
6. **Accounting and Financial Reporting**

6.1. The Bank will maintain separate records and ledger accounts in respect of the Allocation funds deposited by the Providers in the Trust Fund account and disbursements made therefrom. Separate records and ledger accounts shall be kept for the Trust Fund account and each PSF Facility trust fund.

6.2. The Bank shall furnish to the Providers current financial information relating to receipts, disbursements and fund balance in United States Dollars with respect to the Allocation funds via the World Bank’s Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the trust fund have been satisfied and the trust fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the United States Dollars with respect to the Allocation funds will be made available to the Providers via the Bank’s Trust Funds Donor Center secure website.

6.3. The Bank will provide to the Provider within six (6) months following the end of each World Bank Group fiscal year, the annual single audit, comprising (1) a management assertion together with an attestation from the World Bank Group’s external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the external auditor’s opinion thereon. The cost of such attestations will be borne by the World Bank Group.

6.4. If the Provider wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the trust fund established under this Trust Fund Administration Agreement, the Provider and the Bank will first consult as to whether such an external audit is necessary. The Bank and the Provider will agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank will arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, will be paid by the Provider.

6.5. The Bank will also provide the Provider with copies of all financial statements and auditors’ reports received by the Bank from the Recipients pursuant to the Grant Agreements.

7. **Progress Reporting**

7.1. The Bank will provide the Provider with an annual report on the progress of activities financed by the Allocation. Within six (6) months of the final disbursement date specified in paragraph 13.1 of this Annex, the Bank will furnish to the Provider a final report on activities supported under the Trust Fund.

7.2. The Bank may prepare a single report covering both this Trust Fund and other PSF facility trust funds.

7.3. The Bank will promptly inform the Provider of any significant modification to the terms of the Grant Agreements and of any contractual remedy that is exercised by the Bank under the Grant Agreements. To the extent practicable, the Bank will afford the Provider the opportunity to exchange views before effecting any such modification or exercising any such remedy.
7.4. Any Provider may review or evaluate activities financed by the Trust Fund. The Provider and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of its policies and procedures. All associated costs shall be borne by the Provider. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

8. Disbursement; Cancellation; Refund

8.1. The Allocations may be used to retroactively finance payments for eligible expenditures in accordance with the Bank’s policies and procedures.

8.2. It is expected that the Allocation funds will be fully disbursed by the Bank in accordance with the provisions of this Trust Fund Administration Agreement by June 30, 2014. The Bank will only disburse Allocation funds for the purposes of this Trust Fund Administration Agreement after such date with the written approval of the Provider.

8.3. Either party may, upon giving three (3) months’ prior notice in writing to the other, cancel all or part of any remaining balance of the Allocation that is not committed pursuant to the Grant Agreement or any other agreement entered into between the Bank and any consultants and/or other third parties for the purposes of this Trust Fund Administration Agreement prior to the receipt of such notice.

8.4. Following the final disbursement date specified in paragraph 8.2, the Bank shall return any remaining balance of the Allocations to the Providers or to the relevant Provider Balance Account on a pro rata basis based on the Providers’ paid Allocations. In the event of cancellation the Bank shall promptly return to the relevant Provider or Providers or to the relevant Provider Balance Account the Provider’s pro rata share of uncommitted Allocations in accordance with paragraph 8.3.

9. Disclosure

The Bank will disclose this Agreement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Agreement, Providers consent to disclosure of this Agreement and related information on this Trust Fund.