Letter No. CD-617/GEOTHERMAL/XII/2011

December 16, 2011

His Excellency
Mr. David Taylor
Ambassador
New Zealand Embassy
Sentral Senayan 2, 10th Floor
Jl Asia Afrika No 8
Gelora Bung Karno
Jakarta 10270
INDONESIA

Dear Ambassador Taylor:


1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development ("IBRD" or the "World Bank") that the Government of New Zealand, represented by its Ministry of Foreign Affairs and Trade, New Zealand Aid Program (the "Donor") shall make available as a grant the sum of seven million three hundred and fifty six thousand United States dollars (US$7,356,000) (the "Contribution") in support of Geothermal Development in Indonesia: Technical Assistance for Capacity Building Trust Fund (the "Trust Fund"), which is complementary to the Geothermal Clean Energy Investment Project to be financed by the World Bank, in its individual capacity and in its capacity as an implementing entity of the Clean Technology Fund ("CTF") (Loan No. 8080-ID; CTF Loan No. TF010407-ID), in accordance with the terms of this Agreement.

2. Activities and Expenditures Financed by the Contribution

The Contribution shall be used to finance the activities and the categories of expenditure set forth in the "Description of Activities and Expenditures under the Geothermal Development in Indonesia: Technical Assistance for Capacity Building Trust Fund" attached hereto as Annex 1, and shall be administered by the World Bank on behalf of the Donor in accordance with the terms of this Agreement.
3. **Administration of the Contribution**

3.1. The World Bank shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Donor, 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 Agreement shall be considered a waiver of any privileges or immunities of the IBRD under their Articles of Agreement or any applicable law, all of which are expressly reserved.

3.2. The Contribution shall be administered in accordance with the World 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 World Bank’s obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the of Charter of the United Nations. The Donor acknowledges that this provision does not create any obligations of the World 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 Donor, nor shall it be deemed a waiver, express or implied, of any of the privileges and immunities of the World Bank.

4. **Deposit of the Contribution**

4.1. The Donor shall deposit the Contribution in the amount of seven million three hundred and fifty six thousand United States dollars (US$7,356,000) into such bank account designated by the World Bank in installments in accordance with the following schedule:

(a) promptly following countersignature of this Agreement by the Donor and submission of a payment request by the World Bank, four million, six hundred and thirty one thousand United States Dollar (US$4,631,000);

(b) on or before 31 January 2014, upon submission of a payment request and satisfactory submission of Progress Reports by the World Bank in accordance with sub-paragraph 10.1 of this Agreement, two million, seven hundred and twenty five thousand United States Dollars (US$2,725,000); and

(c) as the World Bank may submit a request for payment together with disbursement estimates from time to time, as necessary.

4.2. When making each such deposit, the Donor 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 Donor for TF071811 (the Geothermal Development in Indonesia: Technical Assistance for Capacity Building Trust Fund), and the date of the deposit (the “Deposit Instruction”). In addition, the Donor shall provide a copy of the Donor’s Deposit Instruction to the World Bank’s Accounting Trust Funds Division by e-mail sent to tremitadvice@worldbank.org or by fax sent to (202) 614-1315.
5. **Commingling, Exchange and Investment of the Contributions**

5.1. The Contributions shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the World Bank. The Contributions may be commingled with other trust fund assets maintained by the World Bank.

5.2. The Contributions may be freely exchanged by the World Bank into other currencies as may facilitate their disbursement.

5.3. The World Bank shall invest and reinvest the Contributions pending their disbursement in accordance with the World Bank’s policies and procedures for the investment of trust funds administered by the World Bank. The World Bank shall credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.

6. **Administrative Cost Recovery**

6.1. In order to assist in the defrayment of the costs associated with the establishment of the Trust Fund, the World Bank may, following deposit of the Contribution by the Donor to the Trust Fund, deduct and retain for its own account from that Contribution an amount equal to and not greater than thirty-five thousand United States dollars (US$35,000).

6.2. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the World Bank may, following deposit of the Contribution, deduct and retain for its own account an amount equal to three hundred and sixty seven thousand and eight hundred United States Dollars (US$367,800) from the Contribution. If the Contribution increases beyond what was originally expected at the time of counter-signature of this Agreement, and the administrative costs increase as a result, the Donor acknowledges that an additional administrative fee may be applied to such new Contribution.

7. **Grant to Recipient**

7.1. The World Bank shall, as administrator of the Trust Fund on behalf of the Donor, enter into a grant agreement (the “Grant Agreement”) with PT Pertamina Geothermal Energy (“Recipient”) consistent with the purposes of this Agreement and on the terms and conditions set forth in the Grant Agreement. Grant Agreement may be entered into up to the maximum amount of the Contribution that the Donor has agreed to make available under this Agreement. Upon request by the Donor, the World Bank shall furnish a copy of the Grant Agreement to the Donor.

7.2. The World Bank shall be responsible for the supervision of the activities financed under the Grant Agreement. Subject to the consent of the Recipient’s, representatives of the Donor will be invited by the World Bank to participate in Bank supervision missions related to the Trust Fund.

7.3. The World Bank shall promptly inform the Donor of any significant modification to the terms of any Grant Agreement and of any contractual remedies that are exercised by the World Bank under any Grant Agreement. To the extent practicable, the World Bank shall afford the Donor the opportunity to exchange views before effecting any such modification or exercising any such remedy.
8. **Procurement**

8.1. ForRecipient-executed activities, the Grant Agreement shall provide that the Contributions shall be used by the Recipient to finance expenditures for goods and services, as the case may be, in accordance with the World Bank’s Guidelines on “Procurement under IBRD Loans and IDA Credits” and the World 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 Agreement.

8.2. For Bank-executed activities, the employment and supervision of any consultants and the procurement of any goods financed by the Contributions shall be the responsibility of the World Bank and shall be carried out in accordance with its applicable policies and procedures.

9. **Accounting and Financial Reporting**

9.1. The World Bank shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

9.2. The World Bank shall furnish to the Donor current financial information relating to receipts, disbursements and fund balance in the holding currency of the Trust Fund with respect to the Contributions 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 holding currency of the Trust Fund with respect to the Contributions will be made available to the Donor via the World Bank’s Trust Funds Donor Center secure website.

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

9.4. If the Donor wishes to request, on an exceptional basis, a financial statement audit by the World Bank’s external auditors of the Trust Fund, the Donor and the World Bank shall first consult as to whether such an external audit is necessary. The World Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the World Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the World Bank with respect to such audit, shall be paid by the Donor.

9.5. The World Bank shall provide the Donor with copies of all financial statements and auditors’ reports received by the World Bank from the Recipient pursuant to the Grant Agreement.
10. **Progress Reporting**

10.1. The World Bank shall provide the Donor with a Progress Report on the activities financed by the Contributions by no later than December 15 of each calendar year. Within six (6) months of the final disbursement date specified in paragraph 11.2, the World Bank shall furnish to the Donor a final report on the activities financed by the Trust Fund.

10.2. The Donor may review or evaluate activities financed by the Trust Fund. The Donor and the World Bank shall agree on the scope and conduct of such review or evaluation, and the World Bank shall provide all relevant information within the limits of its policies and procedures. All associated costs shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

11. **Disbursement; Cancellation; Refund**

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

11.2. It is expected that the Contributions will be fully disbursed by the World Bank by June 30, 2016. The World Bank shall only disburse Contributions for the purposes of this Agreement after such date with the written approval of the Donor.

11.3. The Donor or the World Bank may, upon three (3) months’ prior written notice, cancel all or part of any remaining balance of the Contributions that are not committed pursuant to any agreements entered into between the World Bank and any consultants and/or other third parties for the purposes of this Agreement prior to the receipt of such notice, including the Grant Agreement.

11.4. Following the final disbursement date specified in paragraph 11.2, World Bank shall return any remaining balance of the Contributions to the Donor or to the Donor Balance Account based on the Donor’s paid Contributions. In the event of a cancellation the World Bank shall promptly return to the Donor or to the Donor Balance Account the uncommitted Contributions in accordance with paragraph 11.3.

12. **Communication and Addresses**

Except as provided for in paragraph 4.2 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 World Bank:**

- Mr. Migara Jayawardena
- Senior Infrastructure Specialist
- Infrastructure Unit
- Sustainable Development Department
- East Asia and Pacific Region
- The World Bank
1818 H Street, NW  
Washington, DC  20433  
U.S.A.  
Tel: 1-202-473-7465  
Fax:1-202-522-1648  
E-mail: mjayawardena@worldbank.org

For the Donor:

Mr. Kirk Yates  
Development Counsellor, Jakarta  
New Zealand Embassy  
Sentral Senayan 2, 10th Floor  
Jl Asia Afrika No 8  
Gelora Bung Karno  
Jakarta Pusat 10270 Jakarta 10024  
INDONESIA  
Tel:+6221 2995 5827  
Fax:+6221 5797 4578  
E-mail: kirk.yates@mfat.govt.nz

13. Amendment

All annexes hereto constitute an integral part of this Agreement. This Agreement may be amended only in writing between the World Bank and the Donor.

14. Disclosure

The World 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, the Donor consents to disclosure of this Agreement and related information on this Trust Fund.

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

/s/: Stefan Koeberle
By
Name: Stefan Koeberle
Title: Country Director
Date: 12/16/11

GOVERNMENT OF NEW ZEALAND, REPRESENTED BY ITS MINISTRY OF FOREIGN AFFAIRS AND TRADE, NEW ZEALAND AID PROGRAM

/s/: Ian Brownlie
By
Name: David Taylor
Title: Ambassador, Jakarta
Date: 12/7/2011
ANNEX 1

Description of Activities and Expenditures under the Geothermal Development in Indonesia: Technical Assistance for Capacity Building Trust Fund

This Annex shall be applicable to and form an integral part of the agreement entered into between the World Bank and the Donor that provides contributions (the aggregate of all contributions from the Donor, the “Contributions”) to be administered by the World Bank for the Trust Fund. This Annex is based on the proposal for grant support prepared by World Bank and PGE entitled “Technical Assistance for Capacity Building for the Transformational Scale-Up of Geothermal Development in Indonesia” and dated August 2011.

A. Project Objective

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

B. DESCRIPTION OF ACTIVITIES

Recipient-Executed Trust Fund Activities:

1. Technical Collaboration Partnership: Establishment of a long-term technical collaboration with a consortium grouping of reputable organizations as necessary to cover the required geothermal fields of expertise, to provide structured and just-in-time support and on-the-job training to PGE.

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

3. Upgrade Information Technology Capacity: Acquisition of computer based tools and operational methodologies necessary for improving PGE’s capacity to implement its geothermal development program. It includes the acquisition of equipment, software, and development of new methodologies and systems, including training in the use of the software.

4. Incremental Capacity Building of the Project Implementation Unit: Incremental support to the project implementation unit (“PIU”) that has been established to implement all externally financed loans including the ones financed by the World Bank. This incremental support will assist the staff of PGE assigned to the PIU with experts in project management, procurement, and other fiduciary and safeguards aspects to ensure smooth, timely and effective implementation of the projects.
5. **Preparation of New Investments**: Technical assistance to prepare future investments to develop its geothermal resources in an efficient and timely manner, including feasibility studies, environmental and social impact assessments, and front-end engineering design, among others. This activity includes the front-end engineering designs for one of the geothermal fields supported under the World Bank financed Geothermal Clean Energy Investment Project, and the complete preparation of another geothermal development initiative.

C. **CATEGORIES OF EXPENDITURE**

For Recipient-Executed activities, the Contributions may be used to finance, goods and non-consulting services, consultants’ services, training and operating Costs.

The foregoing categories of expenditures may include the financing of taxes.