Mr. Wicaksono Sarosa  
Executive Director  
Kemitraan bagi Pembaruan Tata Pemerintahan (Kemitraan)  
Jl. Wolter Monginsidi No. 3  
Kebayoran Baru  
Jakarta Selatan 12110  
Indonesia  

Dear Mr. Sarosa:  

Re: FIP Grant No. TF015558  
Preparation of the Forest Management Unit Development Project  

In response to the request for financial assistance made on behalf of Kemitraan bagi Pembaruan Tata Pemerintahan ("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 donors ("Donors") under the Forest Investment Program, proposes to extend to the Recipient for the benefit of the Republic of Indonesia ("Member Country"), a grant in an amount not to exceed five hundred thousand United States Dollars (U.S.$500,000) ("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 ("Activities").  

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 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

[Signature]

Rodrigo A. Chaves
Country Director, Indonesia

AGREED:

KEMITRAAN BAGI PEMBARUAN TATA PEMERINTAHAN (KEMITRAAN)

By:

[Signature]

Authorized Representative

Name: [Signature]

Name: WICAKSONO SAROSA

Title: EXECUTIVE DIRECTOR

Date: FEBRUARY 13, 2014

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
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; provided that for the purpose of this Agreement, the term “Project”, whenever used in the Standard Conditions, shall mean the activities referred to in Section 2.01 of this Annex.

(a) “Forest Management Unit Development Project” means the Forest Management Unit Development and Community Based Natural Resource Management Project proposed to be financed by the World Bank and the Forest Investment Program.

(b) “Ministry of Forestry” means the Ministry of Forestry of the Member Country, or any successor thereto.

(c) “REDD+” means reducing emissions from deforestation and forest degradation, which also includes conservation and sustainable management of forests and the enhancement of forest carbon stocks.


Article II

Project Execution

2.01. Grant Objectives and Description. (a) The objective of this Grant is to provide assistance to the Member Country in carrying out preparation activities under the Forest Management Unit Development Project ("Project"), which aims to help Indonesia reduce institutional barriers to sustainable forest management and REDD+ implementation at the national and sub-national levels.

(b) The Activities for which the Grant is provided consist of the following parts:

(i) providing support for the production of technical reports on a series of activities assessing consultation and outreach guidelines, social and environment safeguards arrangements, monitoring and evaluation requirements, and critical design aspects of the Project;
(ii) providing support for the production of a Project document outlining the Project’s components and implementation plan;

(iii) providing support for the production of a Project operation manual; and

(iv) providing support for planning, coordinating, and facilitating focus groups discussions, workshops and public consultations for the Project.

2.02. **Grant Execution Generally.** The Recipient declares its commitment to the objectives of the Grant. To this end, the Recipient shall carry out the Activities 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) **Implementation Arrangements.** The Recipient shall be responsible for carrying out the Activities in coordination and partnership with the Ministry of Forestry, as agreed in writing between the Recipient and the Ministry of Forestry. In preparing a Project document, the Recipient shall reasonably share relevant documents with, follow guidelines from, and report progress to the Ministry of Forestry.

(b) **Safeguards.** The Recipient shall ensure that the terms of reference for any consultancies related to 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 Safeguards Policies then in force, as applied to the advice conveyed through such studies, technical assistance and/or capacity building activities.

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 Donors’ support for the Grant.

(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 Donors to visit any part of the Member Country’s territory for purposes related to the Grant.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Activities and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. 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 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 Grant are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, covering the semester, 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**

(a) **General.** 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:

(i) section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) 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

(iii) 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 and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.
(d) **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) Selection based on Consultants’ Qualifications; (B) Single-source (C) Selection of Individual Consultants; and (D) Single-source procedures for the Selection of Individual Consultants.

(e) **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.

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**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 “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 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 the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, consultants’ services, training and workshops, and operating cost*</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>500,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

* For the purposes of this paragraph:

(i) the term “training and workshops” means reasonable cost of training and workshops conducted in the territory of the Member Country, including purchase and publication of materials, rental of facilities, course fees, travel and subsistence for training
participants, services of trainers, and other activities directly related to training preparation and implementation; and

(ii) the term "operating costs" means reasonable operating costs incurred by the Recipient and required for the Activities, including indirect costs such as overhead charge, consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, bank charges, and travel, lodging and per diems.

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 September 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 Recipient’s Executive Director.

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

Jl. Wolter Monginsidi No. 3
Jakarta Selatan 12110

Phone: (62) 21 72799566
Fax: (62) 21 7208519

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: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391