Stefan G. Koeberle
Country Director, Indonesia

Letter No. CD-119/PNPM/4/2012

Dr. Edi Purwanto
Director
Operation Wallacea Trust
Jl. La Bawalo No. 25
Bau-Bau, Buton
Sulawesi Tenggara

Dear Mr. Purwanto:

Re: PSF Grant No. TF011930

PNPM Green Awareness Raising Project in Sumatera Project

In response to the request for financial assistance made on behalf of Operation Wallacea Trust ("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 ("Donor(s)" under the Support Facility for the National Program for Community Empowerment/Program Nasional Pemberdayaan Masyarakat ("PNPM") Multi-Donor Trust Fund (TF070967) ("PSF"), proposes to extend to the Recipient for the benefit of the Republic of Indonesia ("Member Country"), a grant in an amount not to exceed two hundred sixty five thousand United States Dollars (U.S.$265,000) ("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 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

Franz Drees-Gross
Acting Country Director, Indonesia

AGREED:
OPERATION WALLACEA TRUST

By: Authorized Representative

Name: EDI PURWANTO

Title: DIRECTOR

Date: 25-04-2012

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

1.01. **Standard Conditions.** 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. **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.

For purposes of this Agreement the following terms, whenever used in this Agreement, shall have the following meanings:

(a) "District" means a district and administrative division of a Member Country Province. "Districts" means more than one District.

(b) "Implementation Guidelines for Social and Environmental Safeguards" means the document which is a supplement to the PNPM Green Operations Manual, which sets out procedures designed to reduce, mitigate and offset adverse social and environmental impacts of the Project, as such document may be amended from time to time with the prior written agreement of the World Bank and the Recipient.

(c) "Part" means a Part of the Project as described in Section 2.01 of this Annex.

(d) "PNPM" means Program Nasional Pemberdayaan Masyarakat Mandiri, the Member Country’s National Program for Community Empowerment, as described in Perpres 15/2010, as the same may be amended or updated from time to time

(e) "PNPM Green" means the Member Country’s environmental pilot program of PNPM for which the Project will provide the training, awareness raising and technical assistance support set out in Section 2.01 of this Annex.

(f) "PNPM Green Operations Manual" means the operations manual, dated July 22, 2011, as amended, applicable for the entire PNPM Green operations, meeting the requirements of Section 2.03(b)(i) of this Annex, as the same may be amended or supplemented from time to time by prior written agreement between the World Bank and the Recipient.

(g) "Project Kabupaten" means one of the three Kabupaten within the Project Provinces which have been identified by the Member Country to participate in Green PNPM and receive technical assistance through the Project in accordance with this Agreement. The three Project Kabupaten are Agam, Padang Pariaman, and Lebong. The list of Project Kabupaten may be revised from time to time by written agreement between the Bank and the Recipient.

(h) "Project Kecamatan" means one of the nine Kecamatan, agreed from time to time in writing between the Recipient and the World Bank, within the Project Kabupaten which have been identified by the Member Country to participate in Green PNPM and receive technical
assistance through the Project in accordance with this Agreement. The list of Project Kabupaten may be revised from time to time by written agreement between the Bank and the Recipient.

(i) “Project Management Manual” means the manual, dated March 21, 2012, produced by the Recipient and acceptable to the World Bank giving details of guidelines and procedures set out in Section 2.03 (b) of this Annex.

(j) “Project Partner” means each Project staff, PNPM management consultant, and PNPM Green facilitator who is supporting the Project.

(k) “Project Province” means one of the two administrative provinces (West Sumatera and Bengkulu) which have been identified by the Member Country to participate in Green PNPM and receive technical assistance through the Project in accordance with this Agreement, as such list of Project Provinces may be revised from time to time by written agreement between the World Bank and the Recipient.

(l) “Project Village” means each village located within a Project Kecamatan in which the Recipient conducts Project activities in accordance with this Agreement.

(m) “Province” means a province and administrative division of the Member Country. “Provinces” means more than one Province.

(n) “Sub-District” means a sub-district and administrative division of the Member Country District. “Sub-District” means more than one Sub-District.

(o) “Village” means a village and administrative division of the Member Country Sub-District. “Villages” means more than one Village.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to implement awareness raising and capacity building activities as part of the facilitation support component of PNPM Green in Sumatera.

The Project shall be implemented in the Districts of Agam and Padang Pariaman in West Sumatera Province and District of Lebong in Bengkulu Province.

The Project consists of the following parts:


(a) Field visit by the Recipient’s key staff to all target locations to understand the specific natural resources and environmental condition of each location.
(b) Organize Sub-district workshop to understand: (i) natural resources potential and problem; (ii) issues in managing PNPM Green; and (iii) key village actors and champions at village and sub-district level.

(c) Develop a design for training, awareness, facilitation and technical assistance based on findings from activities set out in Part 1 (a) and (b).

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall 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 shall be responsible for the implementation of the Project and shall establish and thereafter maintain until completion of the Project, a project team, with staffing and terms of reference acceptable to the World Bank.

(ii) The Recipient shall be responsible for integrating the Project into the planning cycle of PNPM. The Recipient shall employed qualified Project staff to supervise Project activities throughout duration of the Project, and coordinate Project implementation with all Project Partners, Member Country local representatives, existing PNPM teams in each such Project Province, Project Kabupaten, Project Kecamatan and Project Village.
(b) Implementation Arrangements

(i) The Recipient shall implement the Project in accordance with the PNPM Green Operations Manual and the Project Management Manual, acceptable to the World Bank, which taken together give 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) procurement procedures as set forth in Section 2.07 of this Annex and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Section 2.06 of this Annex; (iv) project performance indicators as set forth in Section 2.05 of this Annex; and (v) the Implementation Guidelines for Social and Environmental Safeguards, which form a supplement to the PNPM Green Operations Manual. The Recipient shall not amend the Project Management Manual except with the written agreement of the World Bank.

(ii) In the event of any conflict between the provisions of: (A) The PNPM Green Operations Manual or the Project Management Manual; and (B) those of this Agreement, the latter shall prevail.

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 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 Donors 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 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 calendar quarter, 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) at least thirteen (13) well-trained PNPM Green facilitators and other local PNPM stakeholders who can ignite and facilitate green projects within PNPM not limited to those within PNPM Green locations;

(ii) at least forty (40) percent of local community members, including women are aware of environmental issues and sustainable natural resources decisions that they can participate in;

(iii) regional governments adopted at least four natural resources governance issues as an integral part of the policy development and decision making process; and
(iv) at least twenty (20) PNPM facilitators and stakeholders of all levels have the sustainable capacity to continue the implementation of locally driven green development investment and to expand its geographic coverage to new areas.

(c) 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 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.

(c) The Recipient shall, upon the World Bank’s request, have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for 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: Shopping.

(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) Single-source Selection of consulting firms; and (B) 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.

**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>(1) Dedicated staff time</td>
<td>35,165</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultant Services, Training &amp; Workshops, and Operating Costs*</td>
<td>216,536</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Management fee</td>
<td>13,299</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>265,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

* For the purposes of this Section: (i) the term “Training & Workshops” means training and workshops conducted in the territory of the Member Country, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; (ii) the term “Operating Costs” means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Member Country’s civil service; and (iii) the term “Management Fee” means a reasonable portion of the Recipient’s overhead costs, excluding Operating Costs and dedicated staff time costs.

3.02. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2012.

**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 Director.

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

Operation Wallacea Trust  
Jl. La Bawalo No. 25  
Bau Bau, Buton  
Sulawesi Tenggara

Telephone/Fax: (0402) 2825506; (0251) 8343184
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  
Facsimile: 1-202-477-6391

Washington, D.C. 64145 (MCI)