



RODRIGO A CHAVES
Country Director, Indonesia and Timor-Leste

Letter No. CD-185/WB/INIS/XI/2017

November 7, 2017

Mr. Robert Pakpahan
Director General of Budget Financing and Risk Management
Ministry of Finance
Gedung Frans Seda
Jalan Dr. Wahidin Raya No. 1
Jakarta 10710 - Indonesia

Dear Mr. Pakpahan,

***Re: INDONESIA: Advance Agreement for Preparation of Proposed Tourism
Development Operation/ Integrated Masterplans for Priority Tourism Destinations
Preparation Advance No. P482***

Whereas: (a) the Republic of Indonesia (“Recipient”) has requested the International Bank for Reconstruction and Development (“World Bank”) to provide six million Dollars (\$6,000,000) financing to assist in the preparation of the proposed tourism development operation comprising a program-for-results and investment project financing; and (b) as of the date of this letter agreement (“Agreement”): (i) the World Bank has made available an advance out of the World Bank’s Project Preparation Facility in the amount not to exceed four million Dollars (\$4,000,000) as provided below and; (ii) the World Bank will provide - through a separate agreement to be executed by the World Bank and the Recipient - an additional two million one hundred thousand Dollars (\$2,100,000) grant from the Indonesia Infrastructure Support Trust Fund (“Trust Fund”), approved and made available by Trust Fund Donor for the purpose of the preparation of the proposed tourism development operation.

The Recipient and the World Bank hereby agree as follows:

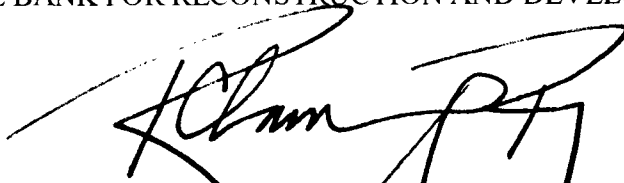
In response to the request for financial assistance made on behalf of the Recipient, I am pleased to inform you that the World Bank proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed four million Dollars (\$4,000,000) (“Advance”) on the terms and conditions set forth or referred to in this Agreement, which includes the attached Annex, to assist in financing the activities described in the Annex (“Activities”). The objective of the Activities is to facilitate the preparation of a proposed operation designed to improve tourism carrying capacity, strengthen local economy linkages to tourism, and promote private investment in three tourism destinations in Indonesia (“Operation”), in support of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD to provide financing in support of the Operation; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of 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



Rodrigo A. Chaves
Country Director for Indonesia and Timor-Leste

AGREED:

REPUBLIC OF INDONESIA



By _____
Authorized Representative

Name ROBERT PAKPAHAN
Title DIRECTOR GENERAL OF BUDGET
FINANCING AND RISK MANAGEMENT

Date: NOVEMBER 21, 2017

Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
- (2) Disbursement Letter for the Advance of the same date as this Agreement, together with Disbursement Guidelines for Investment Project Financing, dated February 2017

Article I
Standard Conditions; Definitions

- 1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 (“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.

Article II
Execution of the Activities

- 2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

Part 1. Integrated Tourism Master Plans

Preparation of three integrated tourism masterplans for Lombok, Borobudur-Yogyakarta-Prambanan and Lake Toba (together referred to as the Integrated Tourism Master Plans).

Part 2. Operation Management Support

Implementation of Operation management support and administration activities and support of inter-ministry/agency coordination at the national and subnational levels.

- 2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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.
- 2.03. **Environmental and Social Safeguards.**
- (a) The Recipient shall carry out the Activities in accordance with the provisions of the Environmental and Social Management Framework in a manner satisfactory to the World Bank.
- (b) The Recipient shall not amend, revise or waive, or allow to be amended, revised or waived, the provisions of the Environmental and Social Management Framework without the prior written agreement of the World Bank.

(c) The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of the Environmental and Social Management Framework.

(d) The Recipient shall ensure that the terms of reference for any consultancies related to the carrying out of the Activities under this Agreement shall be satisfactory to the World Bank, and to that end, such terms of reference shall, *inter alia*, duly incorporate the requirements of the World Bank's Safeguard Policies then in force, as applied to the advice conveyed through the Activities.

(e) For the purposes of this Section: (i) the term "Environmental and Social Management Framework" means the Recipient's environmental and social management framework dated October 24, 2017 disclosed on World Bank's *infoshop* on October 31, 2017, such framework setting out the principles, rules, guidelines and procedures to assess environmental and social impacts of the activities to be undertaken under the investment project financing component of the Operation, and measures and plans to reduce, mitigate and/or offset adverse social and environmental impacts and enhance positive impacts of said activities, as the same may be amended from time to time with the prior written agreement of the World Bank; and (ii) the term "World Bank's Safeguard Policies" means the World Bank's operational policies and procedures set forth in the World Bank's operations manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 published at www.worldbank.org/opmanual.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. 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.

2.06. **Procurement**

(a) General. All consultants' services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

- (i) 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 (revised July 2014) ("Consultant Guidelines") in the case of consultants' services; and
- (ii) 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 Activities in accordance with 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, III, IV and V of the Consultant Guidelines, as the case may be.

(c) 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 may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection based on Consultants' Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) 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.

Article III
Withdrawal of the Advance

3.01. **Eligible Expenditures**. The Recipient may withdraw the proceeds of the Advance 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 "Disbursement Guidelines for Investment Project Financing" dated February 2017, 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 each category of Eligible Expenditures that may be financed out of

the proceeds of the Advance (“Category”), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Training, Operating Costs and Consultants’ services under Parts 1 and 2 of the Activities	4,000,000	100%
TOTAL AMOUNT	4,000,000	

For the purpose of this Section: (a) the term “Training” means the costs of training activities – undertaken under the Activities - attributable to seminars, workshops, and domestic and overseas training along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation; and (b) the term “Operating Costs” means the reasonable costs incurred by the Recipient, for purposes of Operation management and implementation on account of office rental, supplies and consumables, utilities, bank charges, communications, mass media and printing services, interpretation and translation services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, local transportation, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient’s civil service.

- 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. **Refinancing Date.** The Refinancing Date is August 30, 2018.

Article IV Terms of the Advance

- 4.01. **Interest.** The Recipient shall pay interest on the Withdrawn Advance Balance at a rate, for each Interest Period, equal to the Reference Rate plus the Fixed Spread; provided, however, that the interest payable shall in no event be less than zero percent (0%) per annum. Interest shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. The Interest Period Determination Dates are January 1 and July 1 in each year.

4.02. **Repayment.** The Withdrawn Advance Balance, together with interest accrued thereon shall be repaid by the Recipient to the World Bank in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) *Refinancing under the Refinancing Agreement:* If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with interest accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such interest, in accordance with the provisions of the Refinancing Agreement.

(b) *Repayment in the absence of a Refinancing Agreement:* If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by this date, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with interest accrued on the Withdrawn Advance Balance to the date of repayment), on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds US\$50,000, it (together with interest accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay interest on the Aggregate Balance at a rate, for each Interest Period, equal to the Reference Rate plus the Fixed Spread, payable in arrears on each Payment Date. Notwithstanding the foregoing, if any amount of the Aggregate Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the Recipient shall pay the Default Interest Rate on such overdue amount in lieu of the interest rate specified above in this subparagraph (ii) until such overdue amount is fully paid. Interest at the Default Interest Rate shall accrue from the first day of each Default Interest Period and shall be payable semi-annually in arrears on each Payment Date.

Article V
Recipient's Representative; Addresses

5.01. ***Recipient's Representative.*** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is the Minister of Finance.

5.02. ***Recipient's Address.*** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Directorate General of Budget Financing and Risk Management
Ministry of Finance
Gedung Frans Seda
Jalan Dr. Wahidin No. 1
Jakarta 10710
INDONESIA

Facsimile: +62-21-381-2859

5.03. ***World Bank's Address.*** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile: 1-202-477-6391