

RODRIGO A. CHAVES  
Country Director, Indonesia and Timor-Leste

Letter No. CD-187/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: INIS Grant No. TF0A4649 - Preparation of Proposed Tourism Development  
Operation/ Integrated Masterplans for Priority Tourism Destinations  
Letter Agreement***

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”), the World Bank has made available: (i) a grant from the Indonesia Infrastructure Support Trust Fund in the amount not to exceed two million one hundred thousand Dollars (\$2,100,000) as provided below; and (ii) an advance out of the World Bank’s Project Preparation Facility in the amount not to exceed four million Dollars (\$4,000,000) - through a separate agreement to be executed by the World Bank and the Recipient – all for the purpose of preparation of the proposed tourism development operation.

The Recipient and the World Bank hereby agree as follows:

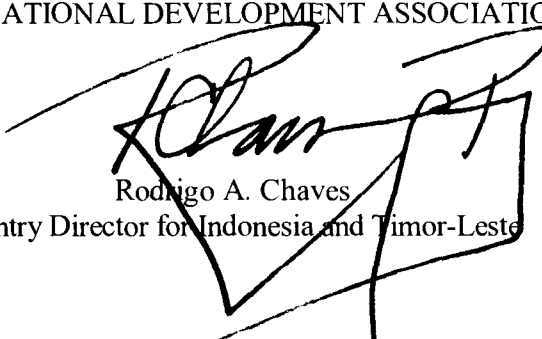
In response to the request for financial assistance made on behalf of the Recipient, I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively, the “World Bank”), acting as administrator of grant funds provided by the Government of Australia (“Donor”) under the Indonesia Infrastructure Support Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed two million one hundred thousand Dollars (\$2,100,000) (“Grant”) on the terms and conditions set forth or referred to in this 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 Donor. 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 Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

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/  
INTERNATIONAL DEVELOPMENT ASSOCIATION



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

AGREED:

REPUBLIC OF INDONESIA

By:



Authorized Representative

Name:

ROBERT PAKPAHAN

DIRECTOR GENERAL OF BUDGET

Title:

FINANCING AND RISK MANAGEMENT

Date:

NOVEMBER 21, 2017

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Investment Project Financing, dated February 2017

**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.

**Article II**  
**Project Execution**

- 2.01. **Project Objectives and Description.** The objective of the Project is to prepare integrated tourism masterplans for each of the three priority tourism destinations. The Project consists 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. Workshops and Training for Integrated Tourism Masterplanning

Provision of workshops and training to support, strengthen and facilitate the process of inclusive integrated tourism masterplanning for Lombok, Borobudur-Yogyakarta-Prambanan and Lake Toba.

- 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. **Environmental and Social Safeguards.**
- (a) The Recipient shall carry out the Project 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 Project 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 Project 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](http://www.worldbank.org/opmanual).

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 the Donor to visit any part of the Recipient'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 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 Project 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 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 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 (revised July 2014) ("Procurement Guidelines"), in the case of 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 (revised July 2014) ("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 Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, 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 non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding, subject to the following additional provisions set forth in the Schedule to this Annex; (B) Shopping; and (C) 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) 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.

(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) 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 Grant ("Category"), the amount of the Grant allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Consultants' services, Training, Operating Costs and non-consulting services under Parts 1 and 2 of the Project	2,100,000	100%
<b>TOTAL AMOUNT</b>	<b>2,100,000</b>	

For the purpose of this Section: (a) the term "Training" means the costs of training activities – undertaken under the Project - 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 but excluding salaries and any salary supplements of members of the Recipient's civil service; and (b) the term "Operating Costs" means the reasonable costs incurred by the Recipient for purposes of the Project - that would not have been incurred by the Recipient absent the Project - 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. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is April 30, 2019.

**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 its Minister of Finance.
- 4.02. ***Recipient's Address.*** The Recipient's Address referred to in Section 7.01 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

- 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/International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Facsimile: 1-202-477-6391

## SCHEDULE TO THE ANNEX

### National Competitive Bidding: Modifications to Procedures

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those of the *Pelelangan Umum* (Public Tendering) and *Pemilihan Langsung / Pelelangan Sederhana* (Simplified Tendering) methods as set forth in the Borrower's Presidential Regulation No. 54/2010 and its subsequent amendments as of January 16, 2015, with the modifications set out below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. The *Pemilihan Langsung / Pelelangan Sederhana* method shall apply to such procurement up to the financial thresholds specified in said Regulation. In the event of a conflict between the Borrower's procedures and these modifications, the latter shall govern.

1. Procuring entities shall use the appropriate standard bidding documents acceptable to the Borrower and the Bank. The provisions of Section 1.16 (Fraud and Corruption) of the Procurement Guidelines shall apply, and each bidding document and contract financed out of the proceeds of the Loan shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of said Guidelines and the contract provisions set out in paragraph 1.16(e) of said Guidelines.
2. Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm determined to be the lowest evaluated responsive bidder shall be given reasonable time for registration. Foreign bidders shall not be required to form a joint venture or sub-contract part of the supply of goods, non-consulting services, and works as a condition for submitting bids or the award of the contract. Bidding documents shall be made available to all international bidders.
3. No preference of any kind shall be given to any bidders.
4. Under the *Pelelangan Umum* method, bidders shall be allowed at least twenty-one (21) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids; this period shall be ten (10) days under the *Pemilihan Langsung / Pelelangan Sederhana* method.
5. Bids invited under the *Pelelangan Umum* method shall be submitted in one (1) envelope and evaluated using post-qualification.
6. No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the Bank's prior written concurrence.
7. Bid security, if it is required by the bidding documents, at the bidder's option, shall be in the form of a letter of credit or guarantee from a reputable bank or other reputable financial institution and shall without exception follow the form provided for this purpose in the bidding documents.
8. All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.
9. Government-owned enterprises in Indonesia shall be eligible to participate in provided that they comply with paragraph 1.10(b) of the Procurement Guidelines.