PNPM Support Facility Trust Fund (PSF)
Grant Agreement

(PNPM Generasi Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as administrator of grant funds provided by donors under the Support Facility for the National Program for Community Empowerment (PNPM) Multi Donor Trust Fund (PSF)

Dated August 16, 2010
AGREEMENT dated August 16, 2010, entered into between:

REPUBLIC OF INDONESIA (“Recipient”); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as administrator of grant funds provided by donors under the Support Facility for the National Program for Community Empowerment Multi Donor Trust Fund (TF070967) (“PSF”).

WHEREAS, this Agreement: (i) sets out the terms and conditions related to the provision of grant financing for health and education (millennium development goal)-related activities described herein, which are also being supported with loan financing by the umbrella Third National Program for Community Empowerment in Rural Areas, which is the subject of a Loan Agreement, between the Republic of Indonesia and the International Bank for Reconstruction and Development, dated April 9, 2010 (Loan No. 7867-ID), as amended (the “PNPM Rural 3 Loan Agreement”); and (ii) incorporates by reference the relevant provisions of the PNPM Rural 3 Loan Agreement;

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), with the modifications set forth in Section II of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. 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
The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project, through MOHA, in accordance with the provisions of Article II of the Standard Conditions.
2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to ten million two hundred thousand United States Dollars (US$10,200,000) (“Grant”) to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Recipient’s Minister of Finance.

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

Ministry of Finance
c/o Directorate General of Debt Management
Jalan Lapangan Banteng Timur 2-4
Jakarta 10710
Indonesia

Cable address: FINMINISTRY
Telex: 45799 DJMLN-IA
Facsimile: (21) 381 2859

Jakarta 44319 DEPKEU-IA
4.03. 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: INDEVAS 248423 (MCI) or 248423 (MCI)
Facsimile: 1-202-477-6391

AGREED at August 16, 2010. as of the day and year first above written.

REPUBLIC OF INDONESIA

By /s/ Rahmat Waluyanto
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

acting as administrator of grant funds provided by donors
under the Support Facility for the National Program for Community
Empowerment (PNPM) Multi Donor Trust Fund (PSF)

By /s/ Chris Hoban
Acting Country Director, Indonesia
SCHEDULE 1

Project Description

The objective of the Project is that villagers in PNPM rural locations benefit from improved socio-economic and local governance conditions.

The Project consists of the following parts:

Part 1: Generasi Kecamatan Grants

Provision of Generasi Kecamatan Grants to Beneficiaries for activities related to improving basic health and education indicators to support:

(a) planning for community development, including the preparation of Sub-Project proposals; and

(b) health and education-related activities identified through community development planning.

Part 2: Technical Assistance Facilitation Support

Provision of technical advisory services, database management assistance, training and other material support, through Facilitators, to strengthen the capacity of national, Kabupaten and Kecamatan government institutions and communities in development planning and investment.

Part 3: Training and Capacity Building

Provision of technical advisory services, training and other material support for PNPM implementation at national- Province- Kabupaten- and Kecamatan- levels, including training of Facilitators, and monitoring, audits.

Part 4: Project Management Support

Provision of technical advisory services, workshops, and other material support to strengthen PMD and support the management of the incremental activities generated by the Project.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Provisions of the PNPM Rural 3 Loan Agreement Applicable to the Project

1. The provisions of the PNPM Rural 3 Loan Agreement which are incorporated by reference in this Agreement constitute an integral part of this Agreement and shall remain in full force and effect notwithstanding the closing date of the PNPM Rural 3 Loan Agreement, which may occur prior to the Closing Date.

2. Unless the context otherwise requires, in provisions of the PNPM Rural 3 Loan Agreement which are incorporated by reference in this Agreement:

   (a) the term “this Agreement” shall be read as “the PNPM Rural 3 Loan Agreement”;

   (b) the term “this Annex” shall be read as “Annex 1 to Schedule 2 to the PNPM Rural 3 Loan Agreement”;

   (c) the term “Bank” shall be read as “World Bank”;

   (d) the term “Borrower” shall be read as “Recipient”;

   (e) the term “Eligibility Criteria” shall be read as “Eligibility Criteria and Generasi Eligibility Criteria”;

   (f) the term “Kecamatan Grant” shall be read as “Generasi Kecamatan Grant”;

   (g) the terms “Loan” and “Loan Account” shall be read as “Grant” and “Grant Account”;

   (h) the terms “any Pilot and Special Program” and “such Pilot and Special Program” shall be read as “this Project”;

   (i) the term “this Schedule” shall be read as “Schedule 2 to the PNPM Rural 3 Loan Agreement”; and

   (j) the terms “any Supplemental Manual”, “any applicable Supplemental Manual”, “each Supplemental Manual” and “such Supplemental Manual” shall be read as “the PNPM Generasi Manual”.

3. Except as may be otherwise agreed in writing between the Recipient and the World Bank, any amendments made by written agreement between the Recipient and the World Bank to any of the provisions of the PNPM Rural 3 Loan Agreement which are incorporated by reference in this Agreement shall automatically constitute a corresponding amendment to such provisions in this Agreement.
B. Institutional Arrangements

1. The institutional arrangements described in Section I.A of Schedule 2 to the PNPM Rural 3 Loan Agreement constitute an integral part of this Agreement and are incorporated by reference herein.

2. In addition, the Recipient shall ensure that: (a) the PMD Secretariat and each Provincial Satker shall include a person responsible for Project implementation; and (b) an additional Facilitator shall be provided at each Kabupaten and Kecamatan level for the purposes of the Project.

C. Implementation Arrangements

1. The implementation arrangements described in all paragraphs of Section I.B of Schedule 2 to the PNPM Rural 3 Loan Agreement constitute an integral part of this Agreement and are incorporated by reference herein; provided, however, that:

(a) in paragraph 1 thereof, for the purposes of the Project, sub-paragraph (b) of such paragraph 1 shall be read as: “adopt and thereafter apply in implementation of the Project, the PNPM Generasi Manual, acceptable to the Recipient and the World Bank, giving details of the Generasi Eligibility and Selection Criteria for the selection of Sub-projects and the terms and conditions of governing the Generasi Kecamatan Grants, including the terms and conditions set forth in this Schedule”; and

(b) with respect to paragraph 3 thereof, the Facilitators shall be contracted, trained and mobilized by no later than October 31, 2010, and thereafter by no later than April 30 of each year of Project implementation in accordance with the Project Manual.

2. (a) The Eligibility and Selection Criteria described in paragraphs 1(a), 2, 3 and 5 of Section A of Annex 1 to Schedule 2 to the PNPM Rural 3 Loan Agreement constitute an integral part of this Agreement and are incorporated by reference herein.

(b) The additional Generasi Eligibility and Selection Criteria are set out in the PNPM Generasi Manual and include the list of Project Kecamatan.

3. (a) All paragraphs of Section I.B of Annex 1 to Schedule 2 to the PNPM Rural 3 Loan Agreement, which sets out the Sub-project review and selection process, constitute an integral part of this Agreement and are incorporated by reference herein.

(b) The additional Sub-project review and selection procedures applicable to the Project are set out in the PNPM Generasi Manual and include: commitment to improving selected health and education indicators related to antenatal and maternal care, immunizations, nutrition, and primary and junior secondary enrolment and attendance.

4. (a) All paragraphs of Section I.C of Annex 1 to Schedule 2 to the PNPM Rural 3 Loan Agreement, which sets out the required terms and conditions of Sub-project Agreements, constitute an integral part of this Agreement and are incorporated by reference herein.
(b) The additional terms and conditions of Sub-project Agreements applicable to the Project are set out in the PNPM Generasi Manual and include: that the Beneficiary shall implement, monitor and evaluate the progress of the Sub-project in accordance with the PNPM Generasi Manual.

D. Environmental and Social Safeguards

1. The environmental and social safeguards described in Section I.C of Schedule 2 to the PNPM Rural 3 Loan Agreement, as amended as of the date of this Agreement, constitute an integral part of this Agreement and are incorporated by reference herein.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines, with the modifications set forth in Section II of the Appendix to this Agreement.

F. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the support of the donors to the PSF for the Project.

2. 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 the PSF to visit any part of the Recipient’s territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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 agreed with the World Bank. 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. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. 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, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The Recipient shall ensure that the audited Financial Statements for each such period shall be: (a) furnished to the World Bank not later than six (6) months after the end of such period; and (b) made publicly available in a timely fashion and in a manner acceptable to the World Bank.

Section III. Procurement

A. General

1. Goods, Works and Services other than Consultants’ Services. All goods, works and services other than 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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All 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 Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Services other than Consultants’ Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and services other than consultants’ services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Services other than Consultants’ Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and services other than consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the following additional procedures set out in the Annex to this Schedule</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Community Participation using procedures acceptable to the World Bank as set out in the Project Manual</td>
</tr>
</tbody>
</table>
C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(e) Single-source Selection</td>
</tr>
<tr>
<td>(a) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. 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 “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 table in paragraph 2 below.

2. The following 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) Generasi Kecamatan Grants</td>
<td>9,810,000</td>
<td>100% of Generasi Kecamatan Grant amount disbursed</td>
</tr>
<tr>
<td>(2) Consultants services and training and workshops* for facilitation support under Part 2 of the Project</td>
<td>79,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants services, non-consultants services, and training and workshops* for training and capacity building under Part 3 of the Project</td>
<td>233,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods and incremental operating costs*</td>
<td>78,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>10,200,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

*For the purposes of this Table: (i) “training and workshops” means Project-related training and workshops conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; (ii) “non-consultants services” means the reasonable cost of services, including printing, arising under the Project and procured in accordance with the Procurement Guidelines; and (iii) “incremental operating costs” means reasonable costs arising under the Project on account of local contractual support staff salaries; travel and other travel-related expenditures; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance; materials and supplies; and utilities and communications expenses, but excluding salaries and honoraria of officials and staff of the Recipient.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2012.
ANNEX to SCHEDULE 2
Clarifications Relating to National Competitive Bidding Procedures

1. General

The procedures to be followed for National Competitive Bidding shall be those set forth in Presidential Decree No.80/2003 of the Republic of Indonesia with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the “Guidelines for Procurement under IBRD Loans and IDA Loans” dated May 2004 and revised in October 2006 and May 2010 (the Guidelines).

2. Registration

(a) Bidding shall not be restricted to pre-registered firms and shall not be a condition for participation in the bidding process.

(b) Where registration is required prior to award of contract, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

3. Pre-qualification

(a) Pre-qualification shall not be used for simple goods and works. Normally, post-qualification shall be used. Pre-qualification shall be required only for large or complex works with the prior ‘no objection’ of the World Bank. When pre-qualification shall be required.

(b) Eligible bidders (both national and foreign) shall not be denied pre-qualification.

(c) Invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications.

4. Joint Ventures

A bidder declared the lowest evaluated responsive bidder shall not be required to form a joint venture or to sub-contract part of work or part of the supply of goods as a condition of award of the contract.

5. Preferences

(a) No preference of any kind shall be given to national bidders.

(b) Regulations issued by a sectoral ministry, provincial regulations and local regulations, which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable to procurement procedures under the Loan or the Grant.
6. **Advertising**

(a) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to twenty-four (24) hours prior the deadline for the submission of bids.

(b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.

(c) Bidders domiciled outside the area/district/province of the unit responsible for procurement shall be allowed to participate regardless of the estimated value of the contract.

(d) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm declared the lowest evaluated bidder shall be given a reasonable opportunity for registering.

7. **Bid Security**

Bid security, at the bidder’s option, shall be in the form of a letter of loan or bank guarantee from a reputable bank.

8. **Bid Opening and Bid Evaluation**

(a) Bids shall be opened in public, immediately after the deadline for submission of bids, and if bids are invited in two (2) envelopes, both envelopes (technical and price) shall be opened at the same time.

(b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated responsive bidder.

(c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(d) No bidder shall be rejected merely on the basis of a comparison with the owner’s estimate and budget ceiling without the World Bank’s prior concurrence.

9. **Rejection of Bids**

(a) All bids shall not be rejected and new bids solicited without the World Bank’s prior concurrence.

(b) When the number of responsive bids is less than three (3), re-bidding shall not be carried out without the World Bank’s prior concurrence.
APPENDIX
Definitions; Modifications to the Standard Conditions and Anti-Corruption Guidelines

Section I. Definitions

A. Definitions Incorporated by Reference into this Agreement from PNPM Rural 3 Loan Agreement. The definitions of the following terms set out in the Appendix to the PNPM Rural 3 Loan Agreement constitute an integral part of this Agreement and are incorporated by reference herein:

<table>
<thead>
<tr>
<th>Number</th>
<th>Term</th>
<th>Number</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Bappenas</td>
<td>29</td>
<td>Menko Kesra</td>
</tr>
<tr>
<td>3</td>
<td>Beneficiary</td>
<td>30</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>4</td>
<td>Better Governance Action Plan</td>
<td>31</td>
<td>MOHA</td>
</tr>
<tr>
<td>5</td>
<td>BPKP</td>
<td>32</td>
<td>National Management Consultants</td>
</tr>
<tr>
<td>6</td>
<td>Bupati</td>
<td>33</td>
<td>Oversight Consultants</td>
</tr>
<tr>
<td>7</td>
<td>Camat</td>
<td>34</td>
<td>P2SPP</td>
</tr>
<tr>
<td>10</td>
<td>Displaced Person</td>
<td>36</td>
<td>Perpres</td>
</tr>
<tr>
<td>12</td>
<td>Eligibility Criteria</td>
<td>38</td>
<td>PJOK</td>
</tr>
<tr>
<td>14</td>
<td>Environmental Management Plan or EMP</td>
<td>39</td>
<td>PMD</td>
</tr>
<tr>
<td>15</td>
<td>Facilitator</td>
<td>40</td>
<td>PMD Secretariat</td>
</tr>
<tr>
<td>16</td>
<td>Fiscal Year or FY</td>
<td>41</td>
<td>PNPM</td>
</tr>
<tr>
<td>18</td>
<td>Isolated Vulnerable People</td>
<td>42</td>
<td>PNPM Website</td>
</tr>
<tr>
<td>49</td>
<td>Province</td>
<td>47</td>
<td>Project Manual</td>
</tr>
<tr>
<td>50</td>
<td>Kabupaten</td>
<td>49</td>
<td>Province</td>
</tr>
<tr>
<td>51</td>
<td>Kabupaten Poverty Alleviation Coordination Team</td>
<td>50</td>
<td>Provincial Poverty Alleviation Coordination Team</td>
</tr>
<tr>
<td>22</td>
<td>Kapubaten Satker</td>
<td>52</td>
<td>Rupiah and Rp</td>
</tr>
<tr>
<td>23</td>
<td>Kecamatan</td>
<td>53</td>
<td>Satker</td>
</tr>
<tr>
<td>25</td>
<td>Land Acquisition and Resettlement Action Plan</td>
<td>54</td>
<td>State Ministry for Development of Disadvantaged Regions</td>
</tr>
<tr>
<td>58</td>
<td>Tim Pengendali</td>
<td>59</td>
<td>UPK</td>
</tr>
<tr>
<td>27</td>
<td>Local Government</td>
<td>60</td>
<td>Village</td>
</tr>
<tr>
<td>28</td>
<td>Local Government Participation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
B. Additional Definitions Applicable to this Agreement

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, with the modifications set out in Section II of this Appendix.

2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 3.02 of this Agreement.

5. “Environmental Management Framework” means the Environmental Management Framework, dated November 15, 2008 as updated by the Recipient on July 21, 2010 and disclosed on July 23, 2010, and the technical guidelines for implementation thereof, adopted by the Recipient, giving details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, as such Environmental Management Framework may be amended from time to time with the prior written agreement of the World Bank.

6. “Generasi Eligibility and Selection Criteria” means the additional eligibility and selection criteria for Generasi Kecamatan Grants made using the proceeds of the Grant and meeting the requirements set out in the PNPM Generasi Manual and paragraph 3 of Section I.C of Schedule 2 to this Agreement.

7. “Generasi Kecamatan Grant” means a grant made or to be made out of the proceeds of the Grant for the purposes of Part 1 of the Project and meeting the requirements set out in this Agreement, the Project Manual and the PNPM Generasi Manual, and “Generasi Kecamatan Grants” means more than one Generasi Kecamatan Grant.

8. “Isolated and Vulnerable Peoples Planning Framework” means the Isolated and Vulnerable Peoples Planning Framework acceptable to the World Bank, dated November 15, 2008 as updated by the Recipient on July 21, 2010 and disclosed on July 23, 2010, and the technical guidelines for implementation thereof, adopted by the Recipient, and giving details of the rules, guidelines and procedures needed to: (a) involve Isolated and Vulnerable Peoples, through a process of free, prior and informed consultation, in the design and implementation of Sub-projects in locations in which such people reside or make their living; and (b) design and implement measures to provide benefits which are socially and culturally acceptable to them, and reduce, mitigate and offset adverse impacts of Sub-projects, as such Isolated and Vulnerable Peoples Planning Framework may be amended from time to time with the prior written agreement of the World Bank.

10. “Part” means a part of the Project described in Schedule 1 to this Agreement.

11. “PNPM Rural 3 Loan Agreement” means the Third National Program for Community Empowerment in Rural Areas, which is the subject of a Loan Agreement, between the Republic of Indonesia and the International Bank for Reconstruction and Development dated April 9, 2010 (Loan No. 7867-ID), as the same may be amended from time to time in accordance with its terms.

12. “PNPM Generasi” means PNPM Generasi Sehat dan Cerdas, or PNPM for a healthy and bright generation, the community development activities focused on health and education-related millennium development goals which are the subject of this Project.

13. “PNPM Generasi Manual” means the manual, dated September 23, 2008 meeting the requirements of paragraph 1(a) of Section I.C of Schedule 2 to this Agreement, as such manual may be amended or updated from time to time with the prior written agreement of the World Bank and the Recipient.


15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 16, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. “Project Kabupaten” means a Kabupaten which is selected by the Recipient for participation in the Project in accordance with the provisions of the Project Manual and the PNPM Generasi Manual.

17. “Project Kecamatan” means a Kecamatan located in a Project Kabupaten which is selected by the Recipient for participation in the Project in accordance with the provisions of the Project Manual and the PNPM Generasi Manual.

18. “Project Village” means a Village selected by the Recipient for participation in the Project in accordance with the provisions of the Project Manual and the PNPM Generasi Manual.


“Sub-project” means an activity qualifying for financing by a Generasi Kecamatan Grant in accordance with the terms of this Agreement, the Project Manual and the PNPM Generasi Manual.

“Sub-project Agreement” means an agreement between a PJOK and a UPK or between a UPK and a Beneficiary for purposes of a Sub-project, and referred to in paragraph 4 of Section I.C of Schedule 2 to this Agreement, and “Sub-project Agreements” means more than one Sub-project Agreement.

Section II. The modifications to the Standard Conditions and the Anti-Corruption Guidelines are as follows:

A. Modifications to the Standard Conditions. The modifications to the Standard Conditions are as follows:

1. The provisions of Section 4.02 (j) of the Standard Conditions are modified to read as follows: ...

   (j) Ineligibility. IBRD or IDA has declared the Recipient (other than the Member Country) ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

B. Modifications to the Anti-Corruption Guidelines. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 of the Anti-Corruption Guidelines is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   “…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
2. Section 11(a) of the Anti-Corruption Guidelines is modified to read as follows:

“… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes to the Anti-Corruption Guidelines:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”