



Letter No. JA-226/USDRP/V/2010

May 7, 2010

Mr. Rahmat Waluyanto
Director General of Debt Management
Ministry of Finance
Jl. Lapangan Banteng Timur 2-4
Jakarta 10710

Dear Mr. Waluyanto,

***Re: Japan PHRD Project Co-Financing Grant Agreement for the Urban Sector
Development Reform Project TF 053555 – Amendment to the Grant Agreement***

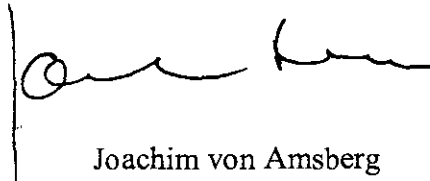
We refer to the Japan PHRD Co-Financing Grant Agreement dated October 20, 2005 between the Republic of Indonesia (the “Recipient”) and the International Bank for Reconstruction and Development (the “Bank”) for Urban Sector Development Reform Project (the “Grant Agreement”), co-financing – Loan Number 7760-IND (formerly Loan Number 4786-IND) - Amendment to Loan Agreement as amended through the date of this letter agreement (the “Loan Agreement”). We also refer to the letter dated March 19, 2010 from the Ministry of Finance, on behalf of the Recipient, requesting amendment of the Grant Agreement to revise the Project Development Objective and Project indicators.

The Recipient and the Bank have agreed to amend the Loan Agreement, and to make corresponding changes to the Grant Agreement. Accordingly, the Grant Agreement is amended as set out in the attachment to this letter.

Except as specifically amended hereby, all other provisions of the Grant Agreement remain in full force and effect.


Please confirm the agreement, on behalf of the Recipient, to the amendments set forth above, by signing and dating the form of confirmation set forth below, and returning one fully signed original of this letter of amendment to us. Upon receipt by the Bank of one of the originals of this amendment letter duly countersigned by the Recipient, this amendment letter shall be deemed to have been effective as of the date of countersignature by the Recipient.

Sincerely,



Joachim von Amsberg
Country Director, Indonesia

CONFIRMED:
REPUBLIC OF INDONESIA

By: 
Authorized Representative

Name: Rahmat Waluyanto

Title: Director General of Debt Management

Date: June 4, 2010

ATTACHMENT

Japan PHRD Project Co-Financing Grant Agreement for the Urban Sector Development Reform Project TF 053555 – Amendment to the Grant Agreement

1. With respect to Section 1.02 (Definitions) of the Grant Agreement, the Recipient acknowledges that the definitions incorporated by reference from the Loan Agreement include the changes made to such definitions in the Loan Agreement, as amended through the date hereof.
2. Section 2.03 of the Grant Agreement (Closing Date). The Bank has established June 30, 2012 as the later date for the purposes of Section 2.03 of the Loan Agreement.
3. Schedule 2 (Project Description). The Project development objective is amended as follows: “The Project development objective is to assist the Recipient to strengthen local governance and improve the provision of selected urban services by Participating ULGs and Additional Participating ULGs.”
4. Schedule 2 (Project Description). The final sentence of Schedule 2 is amended to read as follows: “The Project is expected to be completed by December 31, 2011.”
5. Schedule 3 (Procurement). Section I.A of Schedule 3 is amended to refer to the guidelines current as of the date of this amendment for procurement exercises that commence on or after the date of this amendment, as follows:

“A. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004, and revised in October 2006 (the Consultant Guidelines), the provisions of Annex A to this Schedule 3 and with the provisions of this Schedule.”
6. Schedule 4 (Implementation Program). Paragraph 3(b) is amended by deleting the words “, by no later than January 31, 2006”.
7. Schedule 4 (Implementation Program). A new sentence is added at the end of paragraph 4 as follows: “The Recipient shall cause each Participating ULG and each Additional Participating ULG to adopt revisions to the Project Management Manual to changes to the Project from time to time satisfactory to the Recipient and the Bank.”
8. Schedule 4 (Implementation Program). Paragraph 8(b) is amended to replace the date “March 31, 2006” with the “date July 31, 2009”.
9. Schedule 4 (Implementation Program). Paragraph 8(c) is amended to replace the date “March 15, 2006” with the date “March 15, 2007”.
10. Schedule 4 (Implementation Program). Paragraph 8(d) is amended to replace the date “April 15, 2006” with the date “April 15, 2007”.
11. Schedule 5 (Performance Indicators). Schedule 5 is amended by replacing the table in such Schedule 5 with the following table, it being understood that the performance indicators appearing in the Grant Agreement are those related only to the activities financed by the Grant:

Performance Indicators for Activities Financed by the Grant

Indicators for Part A.1 of the Project (except for civic participation and transparency activities under Part A. 1(a)(i) and studies under Part A. 1(b) of the Project)	Target at Closing Date
<p>Participating ULGs practicing sound Financial Management</p> <ul style="list-style-type: none"> (i) Issuance of local regulation (PERDA or Decree or <i>Perbup/Perwal</i>) on Principle of Regional Financial Management (ii) Issuance of local regulation (PERDA or Decree or <i>Perbup/Perwal</i>) on Policies, Systems, and Procedures for the Preparation and Execution of <i>APBD</i> 	<p>At least 80% of Participating ULGs achieve (i) and (ii)</p>
<p>Participating ULGs practicing sound Procurement</p> <ul style="list-style-type: none"> (i) min. 75% of the bids be awarded within the bid validity period, and publicized in the public domain, e.g. website, local bulletin (ii) min 50% of tendering committee members have national procurement certification (iii) announce in public domain and award the contractors/suppliers with best performance at least once a year in at least one local agency using the agreed criteria 	<p>At least 60 % of Participating ULGs achieve (i), (ii) and (iii)</p>
<p>Center of Excellence</p> <ul style="list-style-type: none"> (i) "<i>Unit Informasi Pembangunan Permukiman dan Bangunan</i>" or <i>UIP2B</i> functioned as a Provincial Center of Excellence to support reforms in the ULGs in the province (ii) Work Plan for the Provincial Center of Excellence or- <i>UIP2B</i> 	<p>At least 1 Province has (i) and (ii)</p>
<p>Local Economic Development and City Development Strategy</p> <ul style="list-style-type: none"> (i) Local Economic Development (LED)-City Development Strategy developed by Participating ULGs (ii) ULGs implemented 10% of activities specified in the City Development Strategy of ULGs 	<p>At least 60% of Participating ULGs have (i) and at least 50% of Participating ULGs having the LED-focused City Development Strategy achieve (ii)</p>

*For the purposes of this table, the term "Participating ULGs" includes any Additional Participating ULGs.

