

USAID Grant Agreement No. 497-M-497-021

Millennium Challenge Account Threshold Program  
STRATEGIC OBJECTIVE GRANT AGREEMENT  
BETWEEN THE  
UNITED STATES OF AMERICA  
AND  
THE GOVERNMENT OF THE REPUBLIC OF INDONESIA  
TO  
STRENGTHEN  
ANTI-CORRUPTION EFFORTS  
AND  
PROMOTE IMMUNIZATION COVERAGE

Dated: November 17, 2006

**Millennium Challenge Account Threshold Program  
Strategic Objective Grant Agreement**

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**Millennium Challenge Account Threshold Program**

**STRATEGIC OBJECTIVE GRANT AGREEMENT**

Dated: November 17, 2006

Between

The United States of America, acting through the United States Agency for International Development ("USAID")

and

The Government of the Republic of Indonesia, acting through the National Development Planning Agency (BAPPENAS) (hereinafter referred to as the "Grantee")

**Article 1: Purpose**

The purpose of this Strategic Objective Grant Agreement ("Agreement") is to set out the understanding of the parties named above (the "Parties") about the Strategic Objective described below.

**Article 2: Strategic Objective and Results**

Section 2.1. Strategic Objective. The strategic objective ("Strategic Objective" or "Objective") is to improve anti-corruption efforts and immunization coverage in Indonesia.

This Section 2.1 may not be changed except by formal written amendment to this Agreement by the Authorized Representatives, as defined in Section 6.3.

Section 2.2. Results. In order to achieve the Objective, the Parties agree to work together to achieve the following results (each a "Result" and collectively, the "Results"):

- (a) Strengthen anti-corruption capacity in key Government institutions; and
- (b) Improve the ability of the health system to provide immunization coverage.

This Section 2.2 may not be changed except by formal written amendment to this Agreement by the Authorized Representatives.

Section 2.3. Annex 1, Amplified Program Description. Annex 1, attached hereto, forms part of this Agreement and amplifies the above Objective and Results. Within the limits of the above definitions of the Objective in Section 2.1 and the Results in Section

2.2, Annex 1 may be changed only by written agreement of the Authorized Representatives, without formal amendment of this Agreement.

### **Article 3: Contributions of the Parties**

Section 3.1. USAID Contribution. *The Grant*. To help achieve the Objective set forth in this Agreement, USAID, hereby grants, subject to the terms and conditions set forth herein, and pursuant to the Foreign Assistance Act of 1961, as amended, and Section 616 of the Millennium Challenge Act of 2003, to the Grantee an amount not to exceed fifty-five million United States ("U.S.") dollars (\$55,000,000) (the "Grant").

Section 3.2. Grantee Contribution. The Grantee shall provide or cause to be provided all funds, in addition to those provided by USAID and any other donor identified in Annex 1, and all other resources required to complete, on or before the Completion Date, all activities necessary to achieve the Results. Grantee support shall include, but shall not be limited to, all organizational costs associated with achieving the Results.

### **Article 4: Completion Date**

(a) The Completion Date, May 31, 2009, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all the activities necessary to achieve the Objective and Results will be completed.

(b) Except as USAID may otherwise agree to in writing, USAID will not issue or approve documentation which would authorize disbursement of the Grant for services performed or goods furnished after the Completion Date.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, are to be received by USAID no later than nine (9) months following the Completion Date, or such other period as USAID agrees to in writing. After such period, USAID, at any time or times, may give notice in writing to the Grantee and reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Implementation Letters, were not received before the expiration of such period.

### **Article 5: Conditions Precedent to Disbursement**

Section 5.1. First Disbursement. Prior to the first disbursement under the Grant or to the issuance by USAID of documentation pursuant to which such disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to USAID in form and substance satisfactory to USAID a statement, signed by the Authorized Representative of the Grantee specified in Section 6.3, of the name and title of each person who will act as a representative of the Grantee under Section 6.3, together with a specimen signature of each person specified in such statement.

Section 5.2. Notification. USAID will promptly notify the Grantee when USAID has determined that a condition precedent has been met.

Section 5.3. Terminal Dates for Conditions Precedent. The terminal date for meeting the conditions specified in Section 5.1 is thirty (30) days from the date of this Agreement or such later date as USAID may agree to in writing. If the conditions precedent in Section 5.1 have not been met by the above terminal date, USAID may terminate this Agreement in whole or in part by written notice to the Grantee.

#### **Article 6: Miscellaneous**

Section 6.1. Financial Disbursement. The activities funded under this Agreement will be undertaken in conformity with United States Government rules, regulations, policies and procedures, and USAID will disburse all funds under this Agreement to Implementing Partners (as defined in Annex 1) consistent with such rules, regulations, policies and procedures.

Section 6.2. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement shall be (a) in writing or by telegram or telefax, and (b) deemed duly given or sent when delivered to such Party at the following address:

To USAID:

Mail Address:

United States Agency for International Development

American Embassy

Jl. Medan Merdeka Selatan 3-5

Jakarta 10110, Indonesia

Attn: Mission Director

Telefax: +62-21-380 6694

Telephone: +62-21-3435-9000

To the Grantee:

Mail Address:

Syahrial Loetan

Executive Secretary of Ministry

Chief Executive of the National Development Planning Agency

Jl. Taman Suropati 2

Jakarta 10110, Indonesia

Telefax: +62-21-392-0352

Telephone: +62-21-3193-4315

All such communications shall be in English unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of prior notice to the other Party.

Section 6.3. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of State Minister for Development Planning, and USAID will be represented by the individual holding or acting in the Office of Mission Director, USAID/Indonesia (each an "Authorized Representative" and together, the "Authorized Representatives"). Each of the Authorized Representatives, by written notice, may designate additional representatives ("Additional Representatives") for all purposes except signing this Agreement, signing formal amendments to the Agreement or exercising the power under Section 2.3 to change Annex 1. The names of the Authorized Representative and the Additional Representatives of the Grantee, with specimen signatures, will be provided to USAID, and USAID may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 6.4. Standard Provisions Annex. A "Standard Provisions" Annex (Annex 2) is attached to and forms part of this Agreement.

Section 6.5. Amendments. Unless otherwise specified herein, the Parties may amend this Agreement only by a formal written amendment signed by the Authorized Representatives.

## **Article 7: Special Covenants**

Section 7.1. Standard Provisions. After a thorough review, the Parties have determined that the activities proposed for funding under this Agreement do not in any way relate to the terms of Standard Provisions F.1, F.2, F.3 and F.4. Should potential issues arise in the future under this Agreement, the Parties agree to work together to resolve any concerns related to Standard Provisions F.1, F.2, F.3 and F.4 of Annex 2.

Section 7.2. Implementation. In support of the Objectives of this Agreement, the Parties may conclude implementation arrangements as more fully described in Section A.2, Implementation Letters, of Annex 2.

Section 7.3. Contractors, Grantees and Other Organizations. Funding under this Agreement may be provided directly by USAID in the form of contracts, grants, cooperative agreements and other mechanisms to international private voluntary organizations, commercial entities, universities, international and national non-governmental organizations and other U.S. Government agencies that work as Implementing Partners (as defined in Annex 1) to implement the Program.

Section 7.4. Visas and Assignment Approvals. The Grantee, in conjunction with appropriate Government of Indonesia ministries and offices, will ensure the prompt and

timely approval and issuance of visas and assignment approvals for the employees, consultants and experts of any Implementing Partners financed by USAID under this Agreement through an established procedure agreed to in writing by the Grantee and USAID.

Section 7.5. Taxation Exemption.

(a) Any contractor, subcontractor, grantee, subgrantee, or other organization and their employees, except citizens of Indonesia, carrying out activities financed by USAID under this Agreement shall be exempt from taxation, including but not limited to custom duties, tariffs, import taxes, income tax, and value added taxes on income, equipment and property financed, leased or imported with USAID funding under this Agreement, as more fully described in Section B.4 of the Standard Provisions in Annex 2, through an established procedure agreed to in writing by the Grantee and USAID.

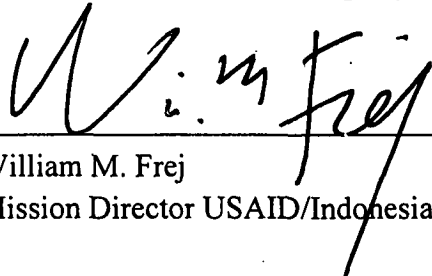
(b) Commodities acquired locally and internationally by USAID and the Implementing Partners (including contractors, grantees, subcontractors and subgrantees) that are financed under this Agreement shall be exempt from taxation including value-added taxes (VAT), tariffs, and custom duties imposed by Indonesia. The Government of Indonesia shall provide reimbursement in a timely fashion to USAID or the Implementing Partners for all taxes, including VAT and custom duties, that are imposed or it may be subject to a U.S. Congressionally mandated withholding penalty of future U.S. foreign assistance. Commodities include materials, articles, supplies, goods and equipment.

(c) In the event of a conflict between this section and Section B.4 of the Standard Provisions for purposes of this Agreement, Section B.4 of the Standard Provisions shall govern.

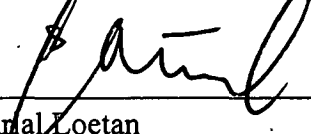
This Agreement shall come into force and effect on the date of the signature by both Authorized Representatives.

IN WITNESS WHEREOF, the United States of America and the Grantee, each acting through its Authorized Representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

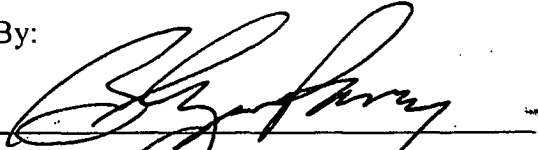
By:   
William M. Frej  
Mission Director USAID/Indonesia

GOVERNMENT OF THE REPUBLIC OF  
INDONESIA

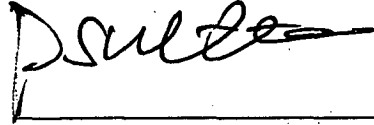
By:   
Syahrul Loetan  
Executive Secretary of Ministry  
Chief Executive of the National  
Development Planning Agency

Witness

By:



B. Lynn Pascoe  
United States Ambassador  
to Indonesia



H. Paskah Suzetta  
Minister of State for  
National Development Planning

**ANNEX 1**  
**AMPLIFIED PROGRAM DESCRIPTION**

**I. INTRODUCTION**

This Annex provides an amplified description of the Strategic Objective and contains an illustrative list of activities and anticipated results. Nothing in this Annex shall be construed as amending any of the definitions or terms of the Agreement.

**II. BACKGROUND**

In November 2005, the Millennium Challenge Corporation (“MCC”) selected Indonesia as eligible to receive MCC Threshold Program assistance. In response to MCC’s invitation, the Government of the Republic of Indonesia (the “Government”) submitted its Threshold Country Plan to MCC in September 2006, focused on activities that would positively impact the MCC indicators on “Control of Corruption” and “Immunization Rates.”

In October 2006, the MCC Board of Directors approved Threshold Program assistance for Indonesia as set forth in this Agreement (the “Program”). The Program is designed to support government and nongovernment actions and priorities to (a) improve anti-corruption efforts, and (b) improve immunization coverage. Program activities will reduce corruption by implementing coordinated judicial reforms; improving the capability of the Financial Transaction Reports and Analysis Center (PPATK); improving the capabilities of the Corruption Eradication Commission (KPK); and implementing an electronic government procurement system. The Program will improve immunization coverage through improved capacity building and commitment within the public and private health sectors.

**III. STRATEGIC OBJECTIVE; RESULTS TO BE ACHIEVED**

The Strategic Objective of this Agreement is to improve anti-corruption and immunization efforts in Indonesia within the MCC indicator framework. In order to achieve the Objective, the Program focuses on several distinct yet related efforts:

- A. Strengthen ongoing judicial reforms;
- B. Strengthen the Financial Transaction Reports and Analysis Center (PPATK);
- C. Strengthen the Corruption Eradication Commission (KPK);
- D. Expand an ongoing Electronic Government Procurement System; and
- E. Strengthen the public and private health care immunization systems.

#### **IV. ACTIVITIES**

The Program will involve two broad components and their associated activities:

##### **Component 1. Reduce Public Corruption**

The Government will seek to improve its performance on the *Control of Corruption* indicator by developing management, transparency and ethics skills and systems in the judiciary, strengthening the Financial Transaction Reports and Analysis Center and the Corruption Eradication Commission, and establishing five regional electronic government procurement centers as part of a nationwide e-GP program.

Result: Reduce opportunities for public corruption through administrative reforms and increasing transparency in the judiciary, increasing enforcement capabilities to fight money laundering and prosecute cases of public corruption, and reducing opportunities for corruption by modernizing public procurement systems.

##### **Proposed Activities:**

##### **Reform the Judiciary**

1. Train all judges on the newly adopted Judicial Code of Conduct by developing training modules, training trainers, and training judges.
2. Train senior-level court personnel on wealth reporting requirements and establish a monitoring system to ensure their compliance.
3. Develop uniform job descriptions, minimum mandatory qualifications, and performance standards for all court personnel.
4. Establish and implement a court personnel and judicial staffing plan based on an assessment to determine the optimal configuration.
5. Develop and implement a human resource database for court personnel and provide training on this.
6. Provide technical assistance, develop guidance, and provide training on court budget preparation and management, proper budget data reporting, and budget advocacy; develop a system to release court budget information to the public.
7. Develop a database of the court system's physical assets to ensure tracking and accountability.
8. Publish all Supreme Court decisions online and enhance the Supreme Court website.

9. Implement public complaints procedures and corresponding public awareness materials for all courts in Indonesia.
10. Develop media and web-based outreach programs on court activities, including publication of court information brochures on court procedures and court fees.
11. Develop guidelines to release disciplinary information concerning court personnel and the judiciary to the public.
12. Increase the public's access to court information.

#### Improve the Capability of the Financial Transaction Reports and Analysis Center (PPATK)

1. Enhance the "Know Your Customer" education and public awareness campaign by introducing it to non-bank financial institutions. This campaign seeks to improve the ability of non-bank financial institutions to detect and report suspicious financial transactions that may indicate money laundering activity, and explains to customers the importance of cooperating with banks in this regard.
2. Increase the capacity of the Financial Transaction Reports and Analysis Center to receive and analyze online financial reports through technical assistance and provision of computer resources.
3. Establish an online communications system between the Financial Transaction Reports and Analysis Center and law enforcement agencies to enhance their ability to share information and collaborate on anti-money laundering investigations.

#### Improve the Capability of the Corruption Eradication Commission (KPK)

1. Provide communications monitoring equipment, a comprehensive radio communications system, courtroom audio/video recording equipment, and related training on standard operating procedures to improve the Corruption Eradication Commission's technical capabilities to investigate and prosecute corruption cases, especially of high-level government officials.
2. Expand the data collected for Transparency International's Corruption Perception Index to include data on the 12 distinct definitions of bribery under Indonesia law, and a comprehensive analysis on perception of corruption in public service, and business and non-business licensing, to help the Government of Indonesia focus its anti-corruption efforts.

#### Implement Electronic Government Procurement

1. Establish five regional e-GP centers, as part of a national e-GP system which includes a primary center in Jakarta and will include a total of 12 regional centers.

2. Support baseline data collection from the five regional centers in order to set performance targets for the reduction of single-source procurements and to help identify suspicious and inappropriate procurement activity.
3. Conduct public outreach to educate the public, including potential procurement vendors, about the reforms in procurement and the functioning of the e-GP centers.

## **Component 2. Increase Immunization Rates**

The Government of Indonesia will maximize immunization coverage by implementing a national immunization program and building capacities of health-care providers. It will finalize its Expanded Program of Immunization (EPI) for 2007-2011 in 2006 to set the framework for improving immunization delivery, monitoring, and surveillance. Local health-care providers are the key to success in this area, especially in hard-to-reach areas. To establish a foundation for successful implementation of the EPI, the Program will improve strategy preparation in all levels of government, as well as improve the skills and abilities of the health-care providers. The Program will undertake awareness raising efforts to create the demand for immunization services within the general population so that people regularly access these services.

Result: Score above the median on MCC's *Immunization Rates* indicator by immunizing at least 80 percent of children under one year of age for diphtheria, tetanus, and pertussis immunization coverage and 90 percent for measles.

### Proposed Activities:

#### Build Capacity

1. Provide technical and management training for health-care providers, including nongovernmental organizations and the private sector, to strengthen delivery of services. This includes training on epidemiology, immunization and surveillance, mid-level management, financial sustainability, integrated health planning, and budgeting.
2. Improve the monitoring of vaccines through better data collection and forecasting practices to measure vaccination coverage, ensure the availability of quality vaccine supplies, and monitor program results against performance indicators.
3. Improve and expand polio surveillance systems for other vaccine-preventable diseases through development of surveillance guidelines, development of training modules, and training.
4. Develop a guide on interpersonal communication for health-care service providers and provide applicable training.

## Conduct Advocacy and Information Campaigns

1. Strengthen national and local commitments to immunization services through policy and strategy dialogues.
2. Assist Province and District Health Offices to develop and implement multi-year strategic plans and annual work plans to deliver reliable immunization services.
3. Assist Province and District Health Offices in advocating for increased human and financial resources from local budgets.
4. Support activities to engage and motivate community leaders, nongovernmental organizations, and faith-based partners to promote and advocate for strengthened routine immunization services.
5. Support media/information campaigns regarding regular immunization.
6. Develop an EPI Technical Advisory Group and supporting secretariat to provide expertise on human resources and financial planning with national and subnational budget recommendations.

## **V. ROLES AND RESPONSIBILITIES**

### **A. THE GRANTEE**

In connection with the implementation of the activities under this Agreement, the Government shall use its best efforts to ensure that the Results and the Objective are achieved, as contemplated in this Agreement.

In furtherance of, but without limiting the foregoing, the Government shall: (a) pay for the annual salaries and organizational costs of the Government staff assigned to oversee the Program; (b) provide office space for staff of selected Implementing Partners (as defined below); (c) provide Program monitoring support; (d) ensure budget support and replication of lessons learned to sustain Program activities after the Completion Date and expand to other areas; and (e) liaise with other Government ministries and agencies to ensure that the Government of Indonesia fulfills its responsibility to facilitate donor coordination, visa and assignment approvals, fee, tariff and tax exemptions, and customs clearances in accordance with this Agreement.

### **B. USAID**

USAID, or Implementing Partners on its behalf, will work closely with the Government (specifically BAPPENAS, the Supreme Court, the Corruption Eradication Commission, PPATK, and the Ministry of Health, among others) to assist the Government to successfully implement the Program and achieve the Results and the Objective contemplated by this Agreement.