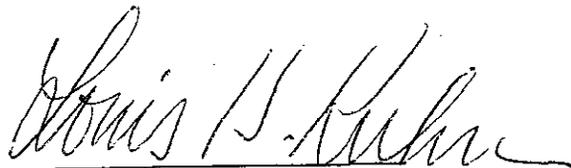


USAID Grant Agreement No. 497-020

STRATEGIC OBJECTIVE GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE REPUBLIC OF INDONESIA
TO
SUPPORT
EFFECTIVE DEMOCRATIC AND DECENTRALIZED GOVERNANCE
IN
INDONESIA

Certified to be the conformed copy of the original Strategic Objective Grant Agreement signed by William M. Frej, USAID Mission Director to Indonesia, and I. Dewa Putu Rai, Deputy for Politics, Defense and Security, National Development Planning Agency.

Dated: July 11, 2005



Louis H. Kuhn
Program Officer (Acting)
USAID/Indonesia

USAID Grant Agreement No. 497-020

STRATEGIC OBJECTIVE GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF THE REPUBLIC OF INDONESIA
TO
SUPPORT
EFFECTIVE DEMOCRATIC AND DECENTRALIZED GOVERNANCE
IN
INDONESIA

Dated: July 11, 2005

Strategic Objective Grant Agreement

	<i>Table of Content</i>	<i>Page</i>
Article 1:	Purpose.	3
Article 2:	Strategic Objective and Results.	3
	Section 2.1. The Strategic Objective.	3
	Section 2.2. Results.	3
	Section 2.3. Annex 1, Amplified Description.	4
Article 3:	Contributions of the Parties.	4
	Section 3.1. USAID Contribution.	4
	Section 3.2. Grantee Contribution.	4
Article 4:	Completion Date.	5
Article 5:	Conditions Precedent to Disbursement.	5
	Section 5.1. First Disbursement.	5
	Section 5.2. Notification.	5
	Section 5.3. Terminal Dates for Conditions Precedent.	5
Article 6:	Special Covenants.	5
	Section 6.1. Standard Provisions.	5
	Section 6.2. Implementation.	6
	Section 6.3. Contractors, Grantees and Other Organizations.	6
	Section 6.4. Visas and Assignment Approvals.	6
	Section 6.5. Taxation Exemption.	6
Article 7:	Miscellaneous.	7
	Section 7.1. Communications.	7
	Section 7.2. Representatives.	7
	Section 7.3. Standard Provisions Annex.	7

STRATEGIC OBJECTIVE GRANT AGREEMENT

Dated: July 11, 2005

Between

The Government of 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"),

WHEREAS, the Grantee and USAID (the "Parties") hereby express their commitment to support Effective Democratic and Decentralized Governance in Indonesia as described herein;

NOW, THEREFORE, the Parties hereby agree as follows:

Article 1: Purpose.

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

Article 2: Strategic Objective and Results.

Section 2.1. Strategic Objective. The Strategic Objective (the "Objective") is to support government and non-governmental actions and priorities to increase the effectiveness of democratic and decentralized governance in Indonesia.

Section 2.2. Results. In order to achieve this Objective, the Parties agree to work together to achieve the following results ("Results"): (i) to expand participatory, effective and accountable local government; (ii) to consolidate the reform agenda; and (iii) to address conflict and encourage pluralism. Within the limits of the definition of the Objective in Section 2.1, this Section 2.2 may only be changed

by written agreement of the authorized representatives of the Parties with formal amendment to the Agreement.

Section 2.3. Annex 1, Amplified Program Description. Annex 1, attached, amplifies the above Objective and Results. Annex 1 may be changed by written agreement of the authorized representatives of the Parties without formal amendment of this Agreement.

Article 3: Contributions of the Parties.

Section 3.1. USAID Contribution.

(a) The Grant. To help achieve the Objective set forth in this Agreement, USAID, pursuant to the Foreign Assistance Act of 1961, as amended, and in accordance with the budget contained in Annex 1, hereby grants to the Grantee under the terms of the Agreement up to Thirty One Million Eight Hundred and Four Thousand Six Hundred Eighty Four United States ("U.S.") Dollars (\$31,804,684) (the "Grant").

(b) Total Estimated USAID Contribution. USAID's total estimated contribution to the achievement of the Objective will be One Hundred and Twenty Million U.S. Dollars (\$120,000,000), which will be provided in increments. Subsequent increments will be subject to the availability of funds to USAID for this purpose, and the mutual agreement of the Parties, at the time of each subsequent increment, to proceed. The Estimated USAID Contribution under this Strategic Objective Agreement supports the five-year (2004-2008) USAID Democratic and Decentralized Governance Strategy.

(c) If at any time USAID determines that its contribution under Section 3.1(a) exceeds the amount which reasonably can be committed for achieving the Objective or Results or activities during the current or next U.S. fiscal year, USAID may, upon written notice to the Grantee, withdraw the excess amount, thereby reducing the amount of the Grant as set forth in Section 3.1(a). Actions taken pursuant to this subsection will not revise USAID's total estimated contribution set forth in 3.1(b). USAID will report at least annually in a format to be agreed upon by the Parties on its contribution.

Section 3.2. Grantee Contribution.

This program will be implemented through direct agreements with third parties and will therefore not require a 25% host country contribution. The Government of Indonesia agrees, however, to supply contributions on an in-kind basis which are judged vital to the achievement of the Objective and Results under this Agreement. Such in-kind contributions may include office space, utilities, salaries of official Government of Indonesia counterparts, and other program related commodities. The Government of Indonesia agrees to report in-kind contributions to USAID on an annual basis.

Article 4: Completion Date.

(a) The Completion Date, which is September 30, 2008, or such other date as the two Parties may agree to in writing, is the date by which the two 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 before or after such period. 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 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 in the name of the person holding or acting in the office of the Grantee specified in Section 7.2, and of any additional representatives, 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 30 days from the date of this Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions precedent in Section 5.1. have not been met by the above terminal date, USAID, at any time, may terminate this Agreement by written notice to the Grantee.

Article 6: Special Covenants

Section 6.1. *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 6.2. Implementation. In support of the Objectives of this Agreement, the Parties may conclude implementation arrangements as fully described in Section E.4, Coordination, of Annex 1 and Section A.2, Implementation Letters, of Annex 2.

Section 6.3. 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 USAID partners to implement the Objective through the Amplified Program Description in Annex 1.

Section 6.4. 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, including all approvals and procedures required to ensure full access to Aceh, for the employees, consultants and experts of any contractor, grantee or other organization carrying out activities financed by USAID under this Agreement through an established procedure agreed to in writing by the Grantee and USAID.

Section 6.5. Taxation Exemption. (a) Any contractor, sub-contractor, grantee, sub-grantee, 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, reconstruction related materials and commodities deemed necessary to achieve the objectives, and property financed, leased or imported with USAID funding under this Agreement, as 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 its implementing partners (including both national and non-national contractors, grantees, sub-contractors and sub-grantees) that are financed under this Agreement shall be exempt from taxation including value-added taxes (VAT), tariffs, and custom duties imposed by Indonesia. Commodities acquired outside Indonesia shall be imported in accordance with Indonesian law but shall be exempt from all taxes, tariffs and duties as described herein. In the event that USAID and its implementing partners are taxed on its commodities, as described in this Section 6.4.a-b and Section B.4 of the Standard Provisions, the Grantee and relevant ministries and offices of the Government of Indonesia shall provide reimbursement in a timely fashion to USAID or its partners for all taxes including VAT and custom duties that are imposed or the Government of Indonesia 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, Section B.4 of the Standard Provisions is the controlling provision of the Agreement.

Article 7: Miscellaneous.

Section 7.1. *Communications.* Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram, telefax or cable, and will be 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
Attention: Mission Director

Telefax: (62-21) 380-6694
Tel: (62-21) 3435-9000

To the Grantee:

Mail Address:

National Development Planning Agency
Jl. Taman Suropati 2, 5th Floor
Jakarta 10110, Indonesia
Attention:

Telefax: (62-21) 3101927
Tel: (62-21) 3905650

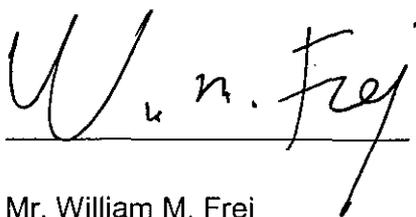
All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 7.2. *Representatives.* For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of Deputy for Politic, Defense, and Security in the National Development Planning Agency (BAPPENAS), and USAID will be represented by the individual holding or acting in the Office of the Mission Director, each of whom, by written notice, may designate additional representatives for all purposes and any conditions governing actions of additional representatives other than signing formal amendments to the Agreement or exercising the power under Sections 2.2 or 2.3 to revise the Results or Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to USAID, which 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 7.3. *Standard Provisions Annex.* A "Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

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

FOR THE GOVERNMENT OF
THE UNITED STATES OF AMERICA



Mr. William M. Frej

USAID Mission Director to Indonesia

FOR THE GOVERNMENT OF
THE REPUBLIC OF INDONESIA



Mr. I Dewa Putu Rai

Deputy for Politics, Defense, and
Security
National Development Planning
Agency (BAPPENAS)

WITNESSED BY:



Mr. B. Lynn Pascoe
United States Ambassador to
Indonesia

WITNESSED BY:



Dr. Sri Mulyani Indrawati
Minister of State for National
Development Planning

SOAG Annex 1

Amplified Description

A. Purpose

This Annex provides an amplified description of the new USAID/Indonesia Strategic Objective "Effective Democratic and Decentralized Governance", an illustrative summary of the types and scopes of activities to be undertaken, and exemplary results to be achieved with funds obligated under the Strategic Objective Agreement. Nothing in this Annex shall be construed as amending any of the definitions or terms of the Strategic Objective Grant Agreement between the Government of the Republic of Indonesia (GOI) and the Government of the United States of America to support Effective Democratic and Decentralized Governance (the Agreement).

B. Background

Six years into a comprehensive political and economic transition, Indonesia has made significant progress in consolidating democratic reforms, moving rapidly from one of the world's most centralized countries to one of the most decentralized, and at the same time, directing the country's economy back on a growth path.

For its overall Indonesia country program strategy for the years 2004-2008 the United States Agency for International Development (USAID) supports Indonesia's democratic transformation through **Strengthening A Moderate, Stable and Productive Indonesia**. One of USAID's new strategic objectives is "Effective Democratic and Decentralized Governance." All activities supported by USAID contribute to specified objectives. Results necessary for achieving objectives are identified, and activities necessary for results are grouped into Intermediate Results.

1. Problem Analysis

Since the transition from the Soeharto "New Order" government in 1998, Indonesia has made great strides toward instituting democratic governance. Achieving the next set of reforms necessary for Indonesia to become a consolidated democracy, however, remains a difficult and uncertain challenge as the years of centralized and, up until 1998, autocratic governance have rendered democratic institutions weak and unprepared to carry out essential reforms. With weak institutions and no culture of open political dialogue, the foundation for a consolidated democracy is still weak. To strengthen Indonesia's democratic reform process will require new channels for participation and dialogue at all levels of society.

Corruption and conflict remain a constant problem at both the national and local levels and religious extremism, while still confined to a small minority, is highly visible and disruptive to both national security and the economy. A corrupt and inefficient judicial system, lacking adequate management structures and vulnerable to political interference, continues to undermine effective rule of law in Indonesia. The decentralization initiative that began in 2001 has also fundamentally altered

Indonesia's system of governance shifting power and resources from Jakarta to the regions. To ensure that local government is effective and accountable to the citizens, there is considerable need to build the capacity of local governments, local parliaments and civil society organizations.

In response to these challenges, the USAID/Indonesia program will support the development of institutions that supply public services and goods in a transparent, democratic, and accountable way. The primary focus of USAID assistance will be the development of democratic, effective and accountable governance at the local level. At the national level, USAID assistance will support the consolidation of key political reforms including: upholding civil rights; establishing institutions, such as the Regional Representative Council (DPD), Judicial Commission and others as mandated by the newly amended Constitution; supporting direct elections of local government executives; clarifying obligatory functions and minimum service standards for local government; improving local government finance systems, both transfer payments and own source revenues; and pursuing the most promising reforms in the justice sector. USAID/Indonesia will also support efforts by moderate leaders and organizations to reinforce pluralistic values and counter potential conflict. Assistance will draw on existing capacity to rapidly respond to and address conflicts that threaten the stability of a democratic Indonesian state.

C. Program Description

Under USAID's new Strategy for the period 2004-2008, democratic and decentralized governance programs will be conceived and implemented under the new Strategic Objective: **"Effective Democratic and Decentralized Governance."**

In order to achieve results under the new Strategic Objective, USAID will work primarily at the local level; and will rely heavily on Indonesian partners and organizations and it will collaborate with the private and NGO sectors. The program will also support capacity building at the national and provincial levels. All activities implemented under this Strategic Objective will be closely coordinated with efforts of other USAID offices, and multi-lateral and bi-lateral donors. This Strategic Objective will comprise three intermediate results which broadly address democratic and decentralized governance issues and challenges. These Intermediate Results are:

1. Expanding Participatory, Effective and Accountable Local Governance;
2. Consolidating the Reform Agenda; and
3. Addressing Conflict and Encouraging Pluralism.

C.1. Illustrative Results (IR) Framework.

C.2. IR 1: Expanding Participatory, Effective and Accountable Local Governance

Decentralization creates many opportunities and challenges for Indonesia's development. If well implemented, regional autonomy can bring government closer to the people, improve public services, and reduce corruption. If, however, it is not

well managed, disparities within and amongst the regions could lead to greater conflict. Thus, while the decentralization process is considered central to maintaining the integrity of the Indonesian unitary state by giving greater autonomy to regions, it must be implemented according to principles of good governance. Through the introduction of participatory processes, improved local government management and transparent and accountable local legislative practices, Indonesians can fully experience the benefits of a democratic society, based upon respect for differences and diversity as written in UU No. 32/2004. Interventions will assist local governments, local parliaments, and civil society organizations at the local level to build core competencies in participatory development planning, performance budgeting, and effective administration.

USAID's local governance program will focus on building the foundation for good governance and improved service delivery by addressing core competencies. Core competencies include planning, budgeting, financing, and human resources managements. During the period covered under this Agreement, illustrative activities may include but not limited to:

- a) Technical assistance, training, exchange programs, and other support for local executive leaders, planning staff, and key officials from priority sectoral departments (*dinas*) on core governance processes and skills.
- b) Technical assistance, training, fellowships and other support to local parliamentarians on setting policies, participating in the planning and budgeting process, and developing local legal frameworks.
- c) Technical assistance, training, and other support to civil society organizations (CSOs) and other stakeholders such as universities, religious-based organizations, business associations, labor associations, and the media to develop the capacity to effectively participate in local decision-making and advocacy processes.

C.3. IR 2: Consolidating the Reform Agenda

The purpose of consolidating the Reform Agenda is to build a sustainable foundation for democracy. This requires the full support and commitment from all stakeholders including political and bureaucratic elites from the executive, legislative and judicial branches of government as well as from political parties and civil society. USAID assistance will advance and safeguard key democratic reforms by supporting key proponents in government, political parties and civil society. In working with these partners, USAID will improve the effectiveness of key political institutions including the Constitutional Court, the national legislature, the Supreme Court and political parties.

IR 2.1: Key Political Reforms Enacted, Implemented and Safeguarded

Interventions will strengthen the institutionalization of democratic governance through a continuing cycle of national and local elections and more accountable and responsive governments. USAID will also support efforts to

strengthen the checks and balances in the political system and to consolidate a legal framework to protect and promote civil society and free media. The coordinated efforts of the executive, legislative and judicial branches in support of independent and autonomous civil society, political parties and media will serve as the basis for consolidating Indonesia's democratic reforms.

During the period covered under this Agreement, illustrative activities may include but not limited to:

- a) *Technical assistance, training, exchanges, and other capacity building support to select commissions and reformers within the national legislature and the Regional Representative Council, central government ministries, and the justice sector to promote an open dialogue, and close cooperation, reinforce, safeguard and advance laws and regulations that support the growth of civil society and the free media and strengthen the balance of checks and powers between the executive and legislative branches of government;*
- b) *Technical assistance to civil society organizations, political parties and the government in research on and monitoring of key policy reforms and to build advocacy networks that become key constituencies for reform;*
- c) *Technical assistance, training, and other capacity building support to ensure that local and national elections are free and fair;*
- d) *Technical assistance, training, exchanges and other capacity building support to central government, the national legislature, provincial government and other key stakeholders for the refinement of the decentralization laws and regulations to enhance district and municipal effectiveness and accountability.*

IR 2.2: Strengthening the Rule of Law

Interventions will be aimed at strengthening reforms in the justice sector to ensure accountable democratic governance. USAID will support legal sector non-governmental organizations (NGOs) and civil society organizations (CSOs) assisting the Supreme Court to implement the "Blueprint" and to advocate and monitor the government's progress in the justice sector more broadly. Interventions will also support local organizations in drafting and implementing human rights legislation to more fully secure fundamental protections, including in addressing the problem of trafficking in persons. During the period covered under this Agreement, illustrative activities may include but not limited to:

- a) *Technical assistance, training, and other capacity building support to ensure that key reforms in the Supreme Court blueprint are implemented, including those affecting the lower level courts;*

- b) Technical assistance and other capacity building support to ensure that the Roadmap for reform of the public prosecution system is implemented by the Attorney General's Office;
- c) Technical assistance, exchanges, and other capacity building support to human rights organizations and coalitions to monitor and advocate for the implementation of newly enacted human rights legislation;
- d) Technical assistance and other capacity building support for the development of legislation and implementation of policies that guarantee basic protections for victims of human trafficking and provides services accessible to them;
- e) Technical assistance, exchanges and other capacity building support to expand and replicate community policing programs.

C.4. IR 3: Addressing Conflict and Encouraging Pluralism

Indonesia's national unity is based on a commitment to diversity, pluralism, decentralization and social justice as it is a multi-ethnic and multi-cultural country; however, Indonesia today faces an environment in which conflict continues to threaten the country's stability. Tensions stem from long-standing ethnic and sectarian frictions, lack of tangible progress in poverty alleviation, a culture of corruption and past human rights abuses. Combined with a poor understanding of the rule of law and a weak judicial system, these conflicts continue to impact Indonesian society. In response to these problems, USAID will build the foundations for local capacity to promote conflict resolution, reconciliation, tolerance and diversity.

During the period covered under this Agreement, illustrative activities may include but not limited to:

- a) Technical assistance, training, and other capacity building support to media organizations to promote objective and non-inflammatory reporting in conflict areas;
- b) Technical assistance, training and other capacity building support for public institutions and civil society organizations to promote dialogue, confidence and trust building among dissenting parties and communities;
- c) Small-scale rehabilitation and reconstruction projects in post-conflict areas;
- d) Technical assistance, training and other capacity building support to civic education initiatives aimed at promoting universal values of democracy and civic traditions of tolerance; and,
- e) Technical assistance and other capacity building support to leading local organizations promoting pluralist values to encourage civic participation in government and public decision-making.

D. Funding

D.1. Funds Supporting the Government of Indonesia Program

Subject to the availability of funds to USAID for this purpose, funding under this Agreement may be provided directly by USAID, in the form of contracts, grants, cooperative agreements and other types of agreements, to international private voluntary organizations, commercial entities, universities, non-governmental organizations, and other U.S. Government agencies that work as USAID partners for the following purposes, including but not limited to:

- Technical Assistance
- Training
- Reconstruction, Construction
- Research
- Fellowships
- Supplies and Commodities
- Assessments, performance monitoring and evaluations
- Audits
- Other purposes as deemed appropriate

D.2. Financial Plan

The financial plan for the Program is set forth in the attached table (Illustrative SOAG Budget). Changes to the financial plan that increase or decrease a budget line item by no more than 15% shall not require the use of Implementing Letters nor formal amendment to the Agreement; if such changes do not cause (1) USAID's contribution to exceed the amount specified in Section 3.1 of the Agreement, or (2) the Grantee's contribution to be less than the amount specified in Section 3.2 of the Agreement.

D.3. Other USAID Program Support Obligated Outside this Agreement

In addition to the amount that may be made available under this Agreement, USAID will also contribute additional technical and program support for activities that may be obligated outside of this Strategic Objective Agreement. All funding provided by USAID not obligated in this Agreement for assistance to achieve the Strategic Objective and Results in Article 2 shall be treated as assistance provided to Indonesia under the Economic and Technical Cooperation Agreement between the Government of the United States of America and the Government of the Republic of Indonesia on October 16, 1950 and its related annex. Funding may be provided by USAID/Washington or USAID/Indonesia through other financial mechanisms.

E. Roles and Responsibilities of the Parties

USAID, the Grantee, international private voluntary organizations, commercial entities, universities, non-governmental organizations, and other U.S. Government agencies will achieve the Strategic Objective together in partnership with the citizens of Indonesia.

E.1 The Grantee

The Grantee will be responsible for facilitating the necessary administrative support

for the provision of technical assistance under the Strategic Objective program. The National Development Planning Agency shall act as the executing agency of the GOI. The National Development Planning Agency will liaise with other GOI ministries and agencies to ensure that the GOI fulfills its responsibility to facilitate visa and assignment approvals; procedures and approvals required to ensure full access to all regions of the country; fee, tariff and tax exemptions; and customs clearances in accordance with this Agreement. The Grantee will participate in the coordination and monitoring of the Agreement as described in section E.4 and E.5.

E.2 USAID

USAID will solicit, manage, finance and take overall responsibility for goods and technical services to be procured which contribute to the Strategic Objective of this Agreement. USAID's Strategic Objective Team will be responsible for the day-to-day, overall management of the Strategic Objective program and for monitoring progress toward achievement of the Strategic Objective. All recipients of assistance under this Agreement will be selected and funded by USAID in accordance with United States Government rules and regulations. USAID will approve the scopes of work and proposals from the implementing partners. USAID will monitor and supervise all financial and implementation actions of the program.

E.3 Implementing Partners

USAID may use various mechanisms, such as contracts, grants, cooperative agreements, with international and national private voluntary organizations, commercial entities, universities, non-governmental organizations and other U.S. Government agencies in implementing activities under this Strategic Objective with funding provided by USAID. These implementing partners will prepare performance monitoring reports in accordance with the terms of their respective agreements and with related GOI agencies inputs as appropriate, to the Parties.

E.4 Coordination

USAID will coordinate overall program implementation with the National Development Planning Agency. Within this framework and given the cross-cutting and integrated nature of the assistance to be provided under this Agreement, the Parties will collaborate closely with the national and local representatives of other relevant GOI ministries and institutions on specific areas of assistance and day to day implementation. The Parties agree to establish appropriate working-level implementation mechanisms to achieve the Objective.

USAID implementing partners may enter into working groups and memoranda of understanding with appropriate implementing GOI agencies, including local governments, to facilitate program implementation provided such actions do not contravene the terms and conditions of this Agreement nor any contract, grant, cooperative agreement or other type of agreement entered into by USAID and its partners to implement the Objective. USAID and the Grantee acknowledge that such arrangements do not constitute a legally binding commitment on the Government of the Republic of Indonesia nor on the Government of the United

States.

E.5 Monitoring and Evaluation

USAID and the Grantee agree to establish a program of reviewing, evaluating and reporting on progress made and results achieved as part of this Agreement. Except as both Parties may otherwise agree in writing, the program will include during the implementation of this Agreement the following: 1) submission of an annual performance report by USAID to the Grantee, in a mutually agreed upon format, on the activities which are addressing the achievement of the overall objective; 2) review of progress on a frequent and continual basis through site visits and other monitoring mechanisms by USAID and the implementing partners.