

ANNEX 3

PRECEDENT

MEMORANDUM OF UNDERSTANDING TO PLAN CSR-SUPPORTED COMMUNITY DEVELOPMENT INDONESIA

(short version)

The First Party

Name : _____

Authorised representative : _____

Contact details : _____

The Second Party

Name : _____

Authorised representative : _____

Contact details : _____

Both the First Party and the Second Party shall be referred to as the **“Parties”**.

BACKGROUND

The Parties wish to work together on the terms of this Memorandum of Understanding (MOU), supported by corporate social responsibility (CSR) funding and in-kind support from the First Party, to design a community development initiative for the village named: _____, located in _____, Indonesia.

- 1. Parties will work together closely:** The Parties agree to work together closely to design a community development initiative as set out in this MOU. The Second Party agrees to comply with the First Party’s code of conduct (as attached in Attachment 1) during the course of its work under this MOU.
- 2. The First Party will provide CSR funding:** The First Party will provide funding and in-kind contributions to support the design work, as set out in the Budget and Payments Schedule in Schedule One.
- 3. The Second Party will set up a special bank account:** The Second Party will ensure that all CSR funds are deposited in a special bank account set up for that purpose and are not mixed with the Second Party’s other money.
- 4. The Second Party is accountable for funds management:** The Second Party is accountable for keeping accurate records of payments made into and from the special bank account and will prepare financial accounts and reports in the form required by the First Party. On giving the Second Party reasonable notice, the First Party will be entitled to audit the Second Party’s financial and other records of work done under this MOU. If the First Party requires the Second Party to provide audited accounts to the First Party, the First Party will include in the budget sufficient funding to pay the cost to the Second Party of preparing audited accounts.
- 5. Parties will apply professional tools and standards:** The Parties will apply professional community development principles and practices to their work, including using a logical framework analysis (LFA) or equivalent objectives-oriented planning and analysis tool and any or all of the other tools listed in Schedule Two. They will also set up a robust process for communicating with, and receiving complaints and other feedback from the community and other stakeholders.

- 6. Initiative will be carefully designed:** The Parties agree to design a CSR-supported community development initiative that:
- a. is based on evidence of needs in the community;
 - b. takes into account information and guidance available from The National Team for the Acceleration of Poverty Reduction (TNP2K) and the relevant Regional Poverty Reduction Coordination Team (TKPKD) and is well targeted and likely to reduce poverty and bring sustainable benefits to the community;
 - c. is considered to follow the local wisdom of local indigenous peoples or groups and allows them to fulfill their aspirations for social and economic development;
 - d. is aligned with the First Party's business needs and resources;
 - e. is appropriate given the Second Party's experience, skills and expertise;
 - f. will fill gaps in or complement, but not replace, governmental development activities;
 - g. that is aligned with, and improves, village plans developed under the Program Nasional Pemberdayaan Masyarakat (PNPM) and in accordance with the Law on Villages (Law No. 6 of 2014) and its implementing regulation; and
 - h. that complies with all other relevant aspects of any applicable law (including the Law on Villages) and relevant local regulations on corporate social responsibility.
- 7. The Second Party will act as project manager:** The Second Party will be responsible for managing the design process, in close consultation with the First Party. As a first step the Parties agree to develop a road map that identifies potential initiatives that may be of value to the community and that match up with what the Parties have to offer by way of experience, expertise, skills and other resources.
- 8. Proper tendering process will be used:** The Second Party will be responsible for carrying out a tender process for selecting any third party contractors and suppliers. The process must comply with the First Party's policies and requirements for selecting approved vendors. Both Parties must agree on the appointment of all third party contractors and suppliers. The Second Party will be responsible for contracting directly with the approved contractors and suppliers.
- 9. The First Party will support capacity building of the Second Party:** The First Party agrees to support the Second Party to increase its administrative, managerial and professional capabilities by providing technical assistance, business coaching and training on matters such as occupational safety and health from time to time, provided the Parties agree that such support will benefit the Parties' design work under this MOU. This support will include that set out in Schedule Three.
- 10. Decision-making process:** The authorised representatives of the Parties will meet to discuss progress and make decisions on the design process as set out in Schedule Four. All decisions will be made by consensus and recorded in writing signed by the representatives.
- 11. Socialization and ownership:** While the Parties will encourage the community to be part of the design process for a community development initiative, they will also ensure that their respective contributions are fairly and publicly acknowledged within the community and with relevant government agencies and other stakeholders. An agreed form of communications protocol to manage the communication of information, including identification of responsible people, approval procedures and ethical and confidentiality issues is attached to this MOU as Attachment 2.

- 12. Monitoring and evaluation:** The Second Party will establish a process for monitoring and evaluating the effectiveness of its planning work under this MOU. The process must be acceptable to the First Party and must involve community participation by way of informal consultation and feedback or through more formal methods, such as use of community scorecards or citizen report cards, as agreed between the Parties.
- 13. Periodic performance reviews:** On the performance review dates set out in Schedule Five, the Parties will undertake a review of the Second Party's performance. The review will allow both Parties an opportunity to assess the Second Party's performance, to provide the Second Party's management with professional development evaluations, and to identify areas for continuous improvement by both Parties. The review will cover the items described in Schedule Five.
- 14. Confidential information and intellectual property:** The Parties will protect and not misuse any confidential information that they exchange during their work together. Any information obtained from The National Team for the Acceleration of Poverty Reduction's (TNP2K) Basis Data Terpadu will be used only for poverty alleviation purposes and not for commercial gain or political purposes. Each party will respect the intellectual property rights of the other Party. Any intellectual property created during the design work will belong jointly to both Parties.
- 15. Commitment to ethical practices:** The Parties will demonstrate a commitment to ethical practices, accountability and transparency throughout their work together. If a Party is affected by any conflict of interest, it will disclose that conflict to the other Party and work to resolve it.
- 16. Dispute resolution:** Any dispute that cannot be resolved by senior management executives of the Parties will be referred for resolution to a respected independent mediator who is acceptable to both Parties. If the dispute is not settled by mediation within a reasonable period of time, either Party may refer the dispute to the court of _____ in _____.
- 17. Term of this MOU:** The Parties intend to work together during the period starting on: _____ and ending on _____ provided that the First Party may terminate this MOU at any time with a 7 (seven) business days' prior notice if the results of any periodic evaluation of the Second Party's performance are not reasonably satisfactory to the First Party. A Party may terminate this MOU if the other Party is in breach of its terms and that breach is not remedied within a reasonable period or cannot be remedied, by giving the other Party at least 7 (seven) business days' prior written notice.
- 18. Consequences of termination:** When the Parties' work together under this MOU ends, they will do whatever is needed to close down their activities in a professional manner, including paying any invoices that are due and payable. The Second Party will prepare a final report to the First Party on work performed and a set of final financial accounts that provides an acquittal for all CSR funding and in-kind contributions received. The First Party will, if necessary, provide the Second Party with sufficient funding to cover the costs of preparing the final report and accounts. The Parties agree to waive their legal right under Article 1266 of the Indonesian Civil Code to ask a court to approve the termination of the MOU.
- 19. MOU legally binding:** The Parties intend to be legally bound by this MOU. The laws of Indonesia govern this MOU.

SIGNATURE PAGE

IN WITNESS WHEREOF each of the Parties has caused this MOU to be executed by its duly authorised representative on the date first set forth below.

Name : _____

Title : _____

Date : _____

Name : _____

Title : _____

Date : _____

Schedules follow:

Schedule One : Budget and Payments Schedule

Schedule Two : Community Development Tools

Schedule Three : Activities in support of the Second Party's capacity building

Schedule Four : Decision-making Process

Schedule Five : Performance Reviews

Attachments:

1. The First Party's Code of Conduct

2. Communications Protocol

SCHEDULE ONE

Budget and Payments Schedule

Note: When preparing the budget and payments schedule, consider, among other things, the following issues:

1. The budget should contain an amount to cover the Second Party's indirect management and administrative costs as well as amounts to cover the direct costs of performing its obligations under the MOU.
2. The Second Party may need funding up front, after signing the MOU, in order to mobilise staff and resources to carry out its role as project manager. If so, the payments schedule should allow for this.
3. To enable transparency and accountability and no mixing of funds, the payments schedule should provide funding to the Second Party in advance of its obligations to make payments
4. It would be customary for the First Party to withhold payment of the final scheduled payment until the Second Party has provided a final satisfactory report and acquittal of funds at the end of the project.
5. The budget should include reference to the in-kind, non-monetary support that the First Party will provide in support of the design work under this MOU.

SCHEDULE TWO

Community Development Tools

Note: The tools listed below are suggestions only. You should consider which of these and other tools will allow the Parties to design an effective and sustainable community development initiative. One of the important outputs of their work under this MOU could be a logical framework analysis or other objectives-oriented planning tool such as ZOPP (objectives-oriented project planning) for the planned community development initiative.

The Parties may use all or any of the following community development tools, as they believe appropriate from time to time.

- Community mapping or other participatory tools to allow community members to map out their community's physical layout and share their expert knowledge of community members and networks.
- Analysis of the various institutions that function within, or affect, the community, to identify current formal and traditional leaders, decision-making processes and service provision networks.
- Risk analysis to identify risks to the planning process, including actual and potential conflicts and disputes within the community and its neighbouring communities that may need to be taken into account in the planning process.
- Stakeholder analysis to identify those within the community and in the wider context who have a legitimate interest in the design process.
- Socioeconomic analysis of the community in its larger context to gather baseline data on issues of potential focus.
- Community scorecards to help empower the community's members to monitor the design process and provide an instrument of accountability for the Parties.

SCHEDULE THREE

Activities in support of the Second Party's capacity building

Note: Describe in this Schedule the agreed support by way of training, mentoring and business coaching and funding the attendance of the Second Party's staff and consultants at external training workshops and conferences and any other educational initiatives that the First Party is willing to provide to assist the Second Party to build its capabilities and enhance the Parties' work together under this MOU.

SCHEDULE FOUR

Decision-making Process

Note: Describe in this Schedule a decision-making process that suits your needs, naming the people who will be involved in making decisions at each level.

An example of a decision-making process with regular meetings is:

1. the people from each Party who are involved in day-to-day activities meet twice each week;
2. those people and their immediate supervisors meet once each week; and
3. all of the above people and senior management executives from each Party meet once each month.

SCHEDULE FIVE

Performance Reviews

Note: Set out in this Schedule the dates on which performance reviews will take place (typically twice a year) and also outline the performance review process, with indications of the First Party's expectations of the Second Party's performance.

ATTACHMENTS:

1. The First Party's Code of Conduct

Note: A copy of the First Party's Code of Conduct, sustainability principles or equivalent document, setting out the standards of behaviour expected of the First Party's employees and contractors in areas such as occupational safety and health, equality of treatment, and cultural issues, should be attached to the signed MOU.

2. Communications Protocol

Note: A communications protocol should be developed early in the relationship that sets out an agreed regime for the communication of information when needed to and from the Parties and other stakeholders and covers ethics, confidentiality and the approvals required for internal and external communications, media announcements and publications.